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Stage Is Set for Jiang's Historic Visit to Japan

By Michael Laris
Washington Post Service

HUANGHUAYU, China — Yang Shishun was 9 years old in 1943 when he watched Japanese soldiers lock his grandfather and 51 other farmers into his family's home, surround the building with dried cornstalks and set them ablaze.

"The old men were baked — charred," he said. Today, this village, which was all but wiped out by troops from the Imperial Army, owes its livelihood to Japan. Last year, Mr. Yang and his neighbors earned up to \$1,000 per household, a princely sum in China, growing meaty chestnuts for export, mostly to Japan.

The relationship between Asia's two giants is as simple — and as vexing — as chestnuts and blood. It is this interplay between the indelible memories of Japan's massacres in China from 1937-1945, which left millions dead, and today's trade ties, which

enrich millions, that defines their often-troubled relationship.

On Wednesday, President Jiang Zemin will become the first head of the Chinese government to make a state visit to Japan. The summit's most important order of business is for Prime Minister Keizo Obuchi to issue an official apology directly to Mr. Jiang for Japan's invasion and occupation of China during World War II, observers said.

As of Tuesday, negotiators were still haggling over the wording. The Japanese Foreign Ministry said that both sides were still discussing "various issues," while China's official New China News Agency bluntly called on Japan to "admit the aggression."

An apology to Mr. Jiang would be a far more significant act than Obuchi's expression of "remorseful repentance and heartfelt apology" to South Korea's president, Kim Dae Jung, last month. This is because China is not just a past victim of Japanese

aggression, but it is now a rival to Japanese power in Asia. Millions of Chinese openly admit to hating Japan for what it did to China in the past, and Japanese officials privately acknowledge a deep fear of China for what it could do to Japan in the future.

Although Prime Minister Tomiichi Murayama issued an apology in August 1995, the socialist leader was not seen to represent Japan's more conservative political establishment, and his comments were not included in an official joint statement, which is what Beijing has demanded.

Experts say a mutually acceptable statement would be an important step toward reducing the distrust that has bedeviled ties between Tokyo and Beijing since Japan recognized Communist China in 1972. They note it is significant that Mr. Jiang will attend a summit in Japan at all. "It's a major effort for China

See SUMMIT, Page 4

U.S. Economy Posts Surprising Growth

3.9% Expansion Seen Leading To Strong 4th-Quarter Showing

Compiled by Our Staff From Dispatches

WASHINGTON — U.S. economic growth rebounded strongly over the summer, the government reported Tuesday, as consumers, shuffling off turmoil in world financial markets, helped sustain a remarkable expansion.

At the same time, in a worrying sign for investors, corporate profits fell sharply in the third quarter, raising questions about one of the underpinnings of the stock-market rally. That caused the Dow Jones industrial average, which soared to a record Monday, to drop 73.12 points to close at 9,301.15. The Standard & Poor's 500 index was down 5.20 points at 1,182.99, and the Nasdaq composite index was down 11.10 points at 1,966.32.

The Commerce Department said gross domestic product, the sum of all goods and services produced within U.S. borders, surged at a robust 3.9 percent seasonally adjusted annual rate in the July-to-September quarter. That was up from 3.3 percent originally estimated.

"The key message from these numbers is that fourth-quarter growth is set to be strong," said Ian Shepherdson, chief U.S. economist at High Frequency Economics. "Three percent growth is a real possibility."

As has been the case all year, growth in the third quarter was driven by consumers. The Commerce Department said that consumer spending, the largest single component of gross domestic product, accounting for two-thirds of all economic activity, grew at a 4.1 percent rate in the third quarter, up from a previous estimate of 3.9 percent.

Spending on durable goods rose 2.4 percent in the quarter, the government said, a sharp upward revision from the previous estimate that spending on durables was unchanged.

In a sign that shoppers will continue to do their part to keep the economy powering ahead, the Conference Board reported Tuesday that its index of U.S. consumer confidence rose to 126 points in November, rebounding from an 18-month low of 119.3 in October.

However, in its first look at third-quarter corporate profits, the Commerce Department said after-tax earnings fell 1.8 percent, to a seasonally adjusted annual rate of \$473.2 billion. Profits were down 6.2 percent from the corresponding quarter a year ago.

The department's GDP report suggested that as companies grew worried about profits, they were slowing their spending on new equipment. Such outlays fell 1.2 percent in the third quarter.

But that was offset by stronger-than-expected exports.

The government said net exports of goods and services subtracted \$8.7 billion, or 0.4 percent, from GDP growth in the third quarter, much less than the \$17.3 billion, or 0.8 percent, estimated in the initial report.

"We could be seeing a bottoming out" in the trade deficit, said Veronika White, an economist with First Union Corp. in Philadelphia. "That's not to say it's over, but the continued deterioration may be behind us, and net exports may not be as much of a drag on economic activity."

If consumer spending continues to increase, the current period of economic growth, which started in April 1991, will in January exceed the 92-month expansion of the Reagan era in the 1980s. The only longer expansion, between 1961 and 1969, coincided with the buildup for the

The Dollar		
New York	Tuesday 4 PM	previous close
DM	1.7037	1.7035
Yen	121.025	120.945
FF	5.7123	5.7113
Pound	1.6601	1.6573
Dollars per pound		
The Dow		
Tuesday close	percent change	
73.12	9,301.15	-0.78%
S&P 500		
5.20	1,182.99	-0.44%
Nasdaq		
11.10	1,966.32	-0.56%

Reno Declines To Order Wider Probe of Gore's Fund-Raising

By Brian Knowlton
International Herald Tribune

WASHINGTON — Attorney General Janet Reno announced Tuesday that she had found no reason to appoint an independent counsel to investigate Vice President Al Gore for possibly lying about his campaign fund-raising activities in 1995 and 1996.

"There are no reasonable grounds to believe that further investigation is warranted," she said in a 19-page filing with a special three-judge federal panel. She acted on the last day of a 90-day period allowed for a preliminary investigation of Mr. Gore.

Mr. Gore's office welcomed the decision. His spokesman, Chris Lehane, said in a statement: "The vice president is pleased that this preliminary review has been concluded without the need for an independent counsel. Vice President Gore will continue focusing on what he has been doing — working with the president to prepare America for the 21st century."

Her finding removed what could have been a major hurdle facing Mr. Gore, as he moves closer to seeking the Democratic presidential nomination in 2000. It was sure to anger some Republicans, who have bitterly criticized Ms. Reno in the past for declining to seek an investigation of alleged Democratic fund-raising abuses.

She said Tuesday that her decision did not end the Justice Department investigation of the fund-raising allegations, which began two years ago. During the just-ended 90-day inquiry, the attorney general sought to determine whether Mr. Gore had misled FBI investigators about the intended use of funds he raised in 45 telephone calls from the White House.

Ms. Reno faces another important deadline: She has until Dec. 7 to decide whether to seek an independent counsel to pursue separate allegations that Pres-

See ECONOMY, Page 22

See RENO, Page 7

Bad Year in AIDS Fight As Infections Soar 10%

By Lawrence K. Altman
New York Times Service

NEW YORK — AIDS virus infections worldwide have risen 10 percent in the last year, showing a disturbing lack of progress in prevention nearly 20 years into the epidemic, the United Nations AIDS Program in Geneva said in a report issued Tuesday.

The document, made public ahead of World AIDS Day on Dec. 1, also reported that the spread was largest among young people and that more women were becoming infected.

Every minute of the year, 11 men, women and children contracted HIV, the deadly virus that causes AIDS, bringing the worldwide total to 33.4 million people, up from 27.6 million a year ago, the report said. All but 5 percent of the infections occurred in Asia, Africa and Eastern Europe.

Half of the new infections — nearly 3 million — were among those between the ages of 15 and 24, the age when most people become sexually active. Because it is also a time when they are at their peak productive and reproductive years, AIDS is causing economic devastation in many countries.

[Carol Bellamy, executive director of the United Nations Children's Fund,

said at a news conference Tuesday in London that "those numbers are framed by one terrible, inescapable fact: that it is young people up to the age of 24 who are bearing the brunt of the casualties," Reuters reported.

"The virus is already wiping out, almost at a stroke, the substantial reductions in child mortality that were achieved in the 1980s and the first part of this decade — and AIDS is well on its way to producing tens of millions of orphans," she said.

The number of children orphaned by AIDS is also rising dramatically. "This is gloomy news," said Dr. Peter Piot, head of the UN AIDS Program.

He said the 6 million new cases and the 2.5 million deaths this year represented a collective failure because more was known now about prevention and protection than ever before.

Women are reaching an unwelcome equality with men in HIV infections, the report said. Women now account for 43 percent of all HIV-infected people over 15 years, a rise of 2 percent over the preceding year.

"There are no indications that this trend will reverse," Dr. Piot said.

One in 10 new infections among

See AIDS, Page 4

Lords Face Downsizing In Labour's New Britain

By Warren Hoge
New York Times Service

LONDON — Among the smudged were the Silver Stick in Waiting, Maltravers Herald Extraordinary, Black Rod, Portcullis Pursuivant, the Crown Equerry and the Gentleman Usher of the Sword of State.

Casualties of an effort by Buckingham Palace to slim down the grandest occasion of the British ceremonial calendar short of a coronation or a royal funeral, they were not in their accustomed places Tuesday during the State Opening of Parliament.

Many others who were seated before Queen Elizabeth this time probably won't be in their places next year. In the "lost" passage of the Queen's speech, the traditional recitation of government plans for the new legislative session, the hereditary peers heard from the "sovereign" herself that a principal government goal for the next year was the removal of their right to sit and vote in the House of Lords.

One didn't need to note their emerald-capped scarlet robes to spot them. They were the lords who kept a stony silence while members of the Labour-dominated House of Commons standing behind them belittled their approval at mention of the reform.

Whatever degree of flash was lost from the pageant by the decision to downsize was glitteringly compensated for by the wives of the dukes, earls, marquesses, viscounts and barons, appearing in larger numbers than anyone could recall, who pressed onto the benches in silk and fur wearing family heirloom tiaras and jewelry.

The speech, which is written by the government and read by the monarch, disclosed 22 bills to be introduced covering the National Health Service, food safety, immigration, youth justice, trade union rights and welfare reform. The program, said the queen, starting at her script, "will focus on the modernization of the country, its public services and its economy."

The most striking omission was any commitment to freedom-of-information legislation, something that has been promised since Labour was elected in May 1996, to permit greater openness in Europe's most secretive society.

See BRITAIN, Page 7



Mourners attending the funeral of Miss Starovoitova on Tuesday included several prominent politicians.

A Russian Democrat Is Laid to Rest

By Daniel Williams
Washington Post Service

ST. PETERSBURG — The democracy pioneer Galina Starovoitova was buried Tuesday in a somber funeral tinged with fears that democratic politics in Russia is locked in a life-and-death struggle.

Thousands of mourners waited for up to five hours in metallic cold to enter the imperial hall where her coffin lay in state. Beneath the glittering chandeliers indoors, the mood was both fearful and defiant. Eulogizers warned that her murderers aimed to derail democracy.

Miss Starovoitova, 52, was killed by waiting gunmen who ambushed her Friday night at the doorstep of her apartment. Her prominence in national politics — she was by far the country's leading woman politician — was enough to ensure

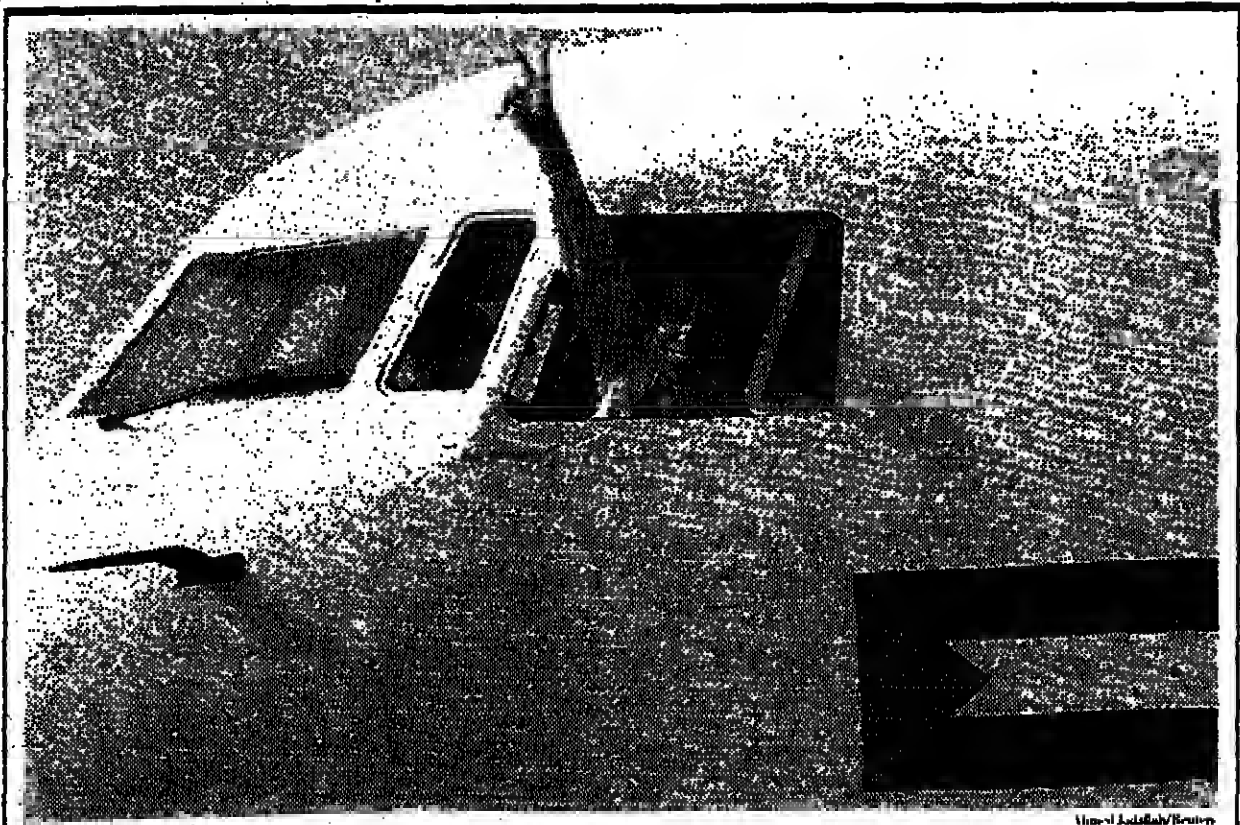
outrage and despair. Coming on top of an economic depression, vicious political battles, military disintegration, renewed anti-Semitism and persistent ethnic conflicts, the killing reinforced the feeling that Russia is coming unglued.

Though hideous crimes and rampant corruption have plagued the country since the breakup of the Soviet Union, the news of Miss Starovoitova's assassination unleashed fresh uncertainties: If she can be killed, who cannot? Who is next?

At the funeral, deep divisions in Russia's society were starkly apparent. It proved impossible for politicians across the political spectrum to put aside differences and mourn together for a nationally known legislator.

Present were several prominent politicians who began their activism during Russia's march to democracy in the waning

See FUNERAL, Page 7



A pilot for Palestine Airlines waving as the first plane landed at the Gaza International Airport on Tuesday.

Palestinians Cheer Their Own Airport

By Deborah Sontag
New York Times Service

DAHANIYAH, Gaza — Palestinians celebrated the long-delayed opening of their new international airport with euphoria on Tuesday as a parade of planes swooped down from conony skies and glided to a red-carpet welcome in the flatlands of Gaza.

With brass bands, bagpipes and grandiloquent rhetoric, Palestinian officials made it clear that they see the sleek, modern airport as the most concrete symbol yet of their fledgling sovereignty. The high emotion and

pageantry Tuesday stood in stark contrast to the muted response to an Israeli withdrawal from the West Bank last week.

"This is my day of great joy as a Palestinian refugee," said Ahmed Abdel Rahman, the general secretary of the Palestinian cabinet. "I am standing on Palestinian soil and I have an airport, I have a flag, I have an airplane. This is our path to the independent Palestinian state."

A potential economic lifeline to the depressed Gaza Strip, the airport was completed more than a year ago with about \$60 million in grants from

See AIRPORT, Page 7

AGENDA

Bank Takeover Bid Stirs German Fears

Deutsche Bank AG's move to buy Bankers Trust Corp. awakened new fears Tuesday of lost jobs at home and widened a split between corporate Germany and Bonn's leftist government. Critics say Bonn has failed to adapt the nation to the global economy. Page 21.

Books..... Page 10.
Crossword..... Page 14.
Opinion..... Pages 12-13.
Sports..... Pages 26-27.

The Internet..... Page 6.
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Italy..... 3.000 Lire Spain..... 1.250 Dn
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The School Gap / Americans Are No Longer the Standouts

Other Nations Edge Past the U.S. on High School Graduation Rates

By Ethan Bronner
New York Times Service

NEW YORK — A major new international study shows that substantial recent progress in the industrialized world has pushed graduation rates by high school students beyond rates in the United States for the first time. For generations, the highest graduation rates in the world have been American.

The report, released by the Organization for Economic Cooperation and Development in Paris, which helps coordinate policy for 29 of the richest countries, reports that, in 1990, for example, the average number of years an American 5-year-old was expected to attend school was the world's highest, 16.3. In 1996, the latest year for which data was available, the American score was 16.8, but 11 other countries, including Canada, Spain and Finland, had surpassed that number.

The report offers far more data than analysis, but it suggests that growing emphasis in other countries on high school graduation is a result of "the desire of employers to have better skilled workers and, hence, from individuals who see that educational qualifications improve their life chances."

The report found that the United States devoted a smaller percentage of its national income to teacher salaries than other countries.

The United States remains on top in the percentage of students who enter college, but a pattern similar to high school graduation rates is emerging.

Entry rates to college education in the U.S. are still the highest in the OECD but that is likely to change soon," said Andreas Schleicher, principal administrator at the OECD and one of the study's authors. "While enrollments in the United States remained relatively stable between 1990 and 1996, they increased by more than 25 percent in 16 OECD countries."

He added that the United States also has one of the highest university dropout rates in the industrialized world — 37 percent.

The report was the fifth such study issued by the or-

From Top of the Class to the Bottom

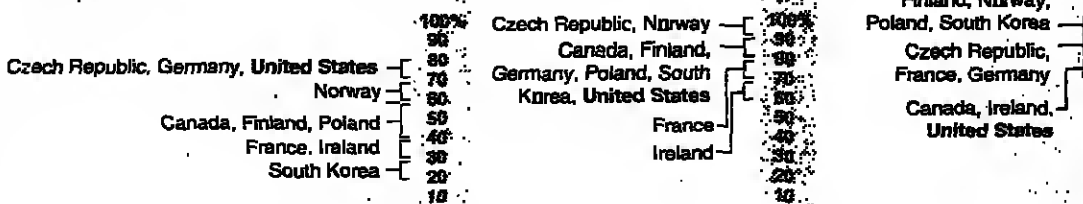
Comparing the United States with nine other selected countries.

In the 1950s, the U.S. high school graduation rate was among the highest in the developed world.

Approximate percentage earning a diploma

But in the 1980s, other countries moved into the top rank ...

... and now the U.S. is falling behind.



Source: "Education at a Glance: OECD Indicators 1998", Organization for Economic Cooperation and Development

ganization since 1991, when it started examining educational trends in member countries. Mr. Schleicher said that over the last three years the report has been the OECD's best-selling publication.

He said other nations in his organization had placed enormous emphasis on improving access to education, bringing them in line with and surpassing American achievements.

The shifting balance is likely to cause concern in the United States, because the quality of American education has been the focus of growing attention and debate for 10 to 15 years.

"I think we should be quite alarmed by this," said Gerald Graff, professor of English and education at the University of Chicago, who is writing a book on what he considers the

dangerous gap between the thinking classes in America and the rest of the society. "We've never fully committed ourselves to the democratic idea of education. There is a kind of silent bargain between schools and many of its students that says, 'We'll leave you alone if you just sit there and don't bother us.'"

Earlier this year, the results of a mathematics and science test of 12th graders in many countries showed the United States to be among the least knowledgeable. Earlier tests showed the lowest 25 percent of 8th graders in Japan and South Korea to outperform the average American student.

The report shows that Americans between the ages of 55 and 64, who graduated high school some 40 years ago, have a graduation rate of 77 percent, the highest in the OECD. Among those aged 24 to 34, who graduated about a decade

ago, the United States slipped to eighth in terms of graduation rate. Today's graduation rates, with the United States at 72 percent, place it second to last in the 29-nation group, above Mexico.

It seems unlikely that the shift reflects higher standards for graduation in the United States because comparisons of adult literacy rates in the study show Americans to be among the industrialized world's least literate populations.

According to the report, the United States' expenditure per pupil is still among the highest in the group at all levels of education. It particularly stands out in the way it has brought the private sector into college and university education, leading the way in a growing international trend, according to Mr. Schleicher.

"Across the OECD, students in both public and private colleges are being asked to pay more for their education," he said. "Unlike in the United States, however, this spending has, in many countries, supplemented rather than displaced public spending on education."

But while the United States spends a great deal on education in absolute terms, its expenditure is about average when examined as a percentage of gross domestic product. Moreover, teacher pay viewed through the same lens shows the United States to be among the lowest, while demands on teacher time in class are among the highest.

AN EXPERIENCED high school teacher in the United States earns 1.2 times the gross domestic product per capita. Among the 29 OECD member states, only the Czech Republic, Hungary and Norway pay their high school teachers less when measured as a percentage of their GDPs. In Germany, Ireland, South Korea and Switzerland, among others, teachers earn twice or more of the GDP per capita. Moreover, the average teacher salary in the United States is significantly below that of other university graduates; in many other countries, like Australia, France and Britain, it is above it.

However, the amount of time a typical middle school teacher in the United States spends in front of a classroom per year is 964 hours, among the highest in the OECD, the report says.

California Dreams of Excelling at School

Riding a Wave, Next Governor Vows to Succeed Where Others Have Failed

By William Booth
Washington Post Service

LOS ANGELES — Plenty of California baby boomers remember what they call "the golden age," when public schools were shiny new and filled with textbooks, when test scores were high and so were teacher salaries, when a California education was the envy of the nation.

Those days are long gone. The largest state school system in the United States now consistently ranks among the worst. Some high school seniors do not have the skills to secure entry-level jobs as telephone operators.

As a result, voters in California, like their frustrated counterparts around the country, are screaming for a major education overhaul. Election Day exit polls found overwhelming concern about schools, outstripping worries about crime, the environment, abortion rights and the economy. In his victory speech on election night, Gray Davis, the Democratic governor-elect, made two promises — one was to return California schools to "greatness."

In elections in Wisconsin, Michigan, Florida and Texas, as well as California, successful governors and state legislators pledged to voters to make their schools better. And while demonstrating concern about education is standard operating procedure in political campaigns — with the ubiquitous video of the candidate surrounded by schoolchildren — this time, the voters might actually demand real reform and improvement. Or else.

As the president of the National Education Association, Roben Chase, put it in editorials after the election, "It's the schools, stupid."

What also makes the issue politically hot is that neither Democrats nor Republicans own it.

In Texas, Governor George Bush wants to be known as the education governor. So does his brother, Jeb Bush, a fellow Republican and governor-elect of Florida. And so does Gray Davis.

A look at their proposals and reforms, moreover, shows that Democrats and Republicans are largely working from the same blueprint of common-sense reforms, though they are divided by contentious issues such as school vouchers (beloved by Republicans) and teacher salaries and accountability (Democrats are the traditional allies of teachers unions, which support higher pay and resist more accountability).

The public, however, does not seem to care about the details. "What they want is results," said Mark DiCamillo, a pollster with the Field Institute.

Mr. Davis promises to call a special session of the California legislature the day of his inauguration to deal with nothing but school reform and improvement in January.

Californians were shocked to learn that of the 40 states participating in the most recent National Assessment of Educational Progress tests, fourth-graders in California tied for last place, with Louisiana, on reading.

Half of the high school graduates from California who enter the California State university system need remedial classes in math and writing — and those students were among the top third in their high school classes.

Then this: The Los Angeles Times reported that Pacific Bell needed to screen seven high school graduate job applicants to find one who had the math and language skills to be a telephone operator.

During the so-called Golden Age in the mid-1960s, California's per-pupil expenditure was

fifth in the nation. Today, it is 37th.

Fingers point to the passage in 1978 of Proposition 13, which placed a cap on the property taxes that finance the schools, marking the end of the Golden Age.

Voter initiatives since then have expressed a will to reinvest in the schools. In 1988, voters here passed Proposition 98, which mandates that 40 percent of the state budget go to education. This last Election Day, California voters also approved the largest education bond issue in history for construction and repair of decaying schools — about \$9.2 billion.

One of the ironies of the call for education reform is that the Republican governor, Pete Wilson, in the last three years of office actually made education reform a high priority. He is credited even by his enemies with passage of some of the most popular fixes.

With state coffers overflowing with budget surplus, Mr. Wilson either initiated — or appropriated and made his own — some of the first major reforms in years.

HEREDUCED class sizes in kindergarten through third grade to a maximum of 20 students per teacher, ended the "social promotion" of failing students and pushed for money for remedial help for lagging students. He lengthened the school year to 180 days. Under his leadership, California taxpayers spent about \$34 billion on education last year.

Mr. Wilson's appointed members of the California State Board of Education set standards for what every pupil should learn by each grade and demanded that students be taught to read using more traditional phonics. Mr. Wilson also pushed through the first statewide achievement tests in years and insisted —



Gray Davis, the California governor-elect, greeting school-minded constituents.

against strong resistance by teachers unions and others — that every student be given the test in English, even if he is not competent in the language.

"The tests are the hammer," said the secretary of education under Mr. Wilson, Marjorie Bergerson. But she said the administration failed in its attempt to introduce more accountability, or a way to reward and punish school administrators and teachers in failing schools by transferring them or withholding raises.

The educational bureaucracy, and the teachers and their unions, waged constant warfare with Mr. Wilson over accountability and salaries. An elementary school teacher in Cali-

fornia makes on average \$41,792, the eighth-highest pay in the nation. High school teachers make about \$2,000 more.

The teachers resisted some of Mr. Wilson's reforms because he earmarked money for special programs, thereby taking money off the bargaining table that could have increased teacher salaries.

Mr. Davis has suggested that he would like to see the bottom 5 percent of schools partnered with educators from California universities to improve performance and scores. But it is an open question how Mr. Davis will reward or punish schools and teachers whose students do not perform.

TRAVEL UPDATE

Europe Trains 'Normal'

PARIS (AP) — Train service was returning to normal Tuesday after a massive one-day strike by rail workers in six countries of the European Union brought traffic to a standstill in parts of Europe for more than 24 hours.

The French national train company, SNCF, said traffic was running smoothly Tuesday throughout most of the country. Belgian train service was also back to normal. In Greece, Hellenic Railways said trains were reporting some delays because of bad weather. The strike had little impact in Spain and Portugal.

European rail unions called the strike Monday in France, Belgium, Greece, Spain, Portugal and Luxembourg to protest the EU's plans to open state-owned railroads to competition.

Public transport was disrupted Tuesday in Athens as streetcar drivers staged rush-hour strikes to protest legislation to streamline debt-ridden concerns. On Wednesday, the Greek capital's subway will shut down because of a one-day strike. (AP)

Irish commuters faced long delays Tuesday after an unofficial strike by train drivers. Several hundred drivers called in sick to protest the lack of progress in talks to restructure the national rail company, Irish media said. (Reuters)

Nepal's first passenger cable car began ferrying pilgrims Tuesday to Manakamana Temple, one of the country's most popular temples. About 2,000 devotees made the trip on the first day of service to the temple, 110 kilometers (175 miles) west of Kathmandu. (AP)

Blizzards and Bitter Cold Raise European Death Toll Above 130

Compiled by The Staff from Dispatches

BUCHAREST — Cold weather and blizzards sweeping parts of Europe claimed new deaths Tuesday, putting the known death toll above 130 as the Continent remained in the grip of sub-zero temperatures.

Conditions were grimest in the Balkan region, but Western Europe also remained bitterly cold — the most severe cold in 40 years in some regions.

Romania has so far been worst-hit by the cold, with 60 deaths in the past few days, including 24 overnight Monday. Poland has reported 41 cold-related deaths, and dozens more have died in Russia. France reported 8 deaths linked to cold weather, and deaths in Bulgaria and Italy accounted for the rest.

There was no sign of immediate improvement in northern Italy, where temperatures in the region near Venice sank to minus-14 centigrade (7 Fahrenheit) and winds of 115 kilometers per hour whipped the Adriatic port of Trieste through the weekend.

Blizzards swept across Romania's southeast Tuesday and temperatures plunged to minus-10 centigrade in the pre-dawn hours. Dozens of villages had no electricity and 300 communities were without telephone lines, the Mediafax press agency reported.

The Romanian deaths were concentrated in the east of the country. Eleven victims, most of them homeless, died of hypothermia. The rest died in road accidents caused by ice or snow.

Snow fell all day in the Romanian capital, Bucharest, closing Banescu airport, which handles mostly domestic

flights but lacks sophisticated clearing and de-icing equipment. Flights were diverted to the city's main Otopeni airport and several departures were delayed. Dozens of trains were canceled.

There was little evidence of snow removal on city streets. Many were coated with ice and barely passable for either motorists or pedestrians.

Heavy winds kept all Romanian Black Sea ports and the river Danube channel closed for a fourth day. Electricity and water supplies were subject to interruptions in hundreds of villages in southern Romania and across the Danube River in Bulgaria.

In Poland, where temperatures have fallen as low as minus-26 centigrade, two people were found dead overnight and three bodies were recovered on Tuesday, police said. Most of the victims there were homeless alcoholics.

Romania began sending emergency power supplies to Moldova, its ex-Soviet neighbor to the north, after its deputy prime minister had come to Bucharest seeking help.

The cold has compounded a crisis in Moldova provoked by the plunge of the Russian ruble. Homes in the capital, Chisinau, are barely heated, and some villages were getting power for only 12 hours a day.

In France, the death toll rose to eight after four more bodies were recovered during the night. An emergency telephone hotline drafted more staff after reports that the homeless had difficulty getting through to be sent to shelters.

Forecasters predicted a respite later in the week.

Officials in Italy's northwestern Liguria region said the weather was the coldest in four decades. But winds subsided somewhat Tuesday, allowing stranded ships to resume their journeys. Officials also said ice and fallen trees had slowed traffic. (AP, Reuters, AP)

WEATHER

Forecast for Thursday through Saturday, as provided by AccuWeather.

Europe				North America				Asia				Africa				Latin America				Oceania			
City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind
Amsterdam	10	5	W	London	10	5	W	Los Angeles	70	50	W	Algeria	18	8	W	Buenos Aires	18	8	W	Sydney	20	10	W
Barcelona	15	10	W	Madrid	15	10	W	Chicago	60	40	W	Cairo	22	12	W	Sao Paulo	22	12	W	Melbourne	18	8	W
Berlin	10	5	W	Moscow	10	5	W	New York	50	30	W	Accra	28	18	W	Lima	22	12	W	Auckland	15	5	W
Bombay	25	15	W	Paris	10	5	W	Houston	60	40	W	Harare	25	15	W	Managua	22	12	W	Wellington	15	5	W
Buenos Aires	22	12	W	Rome	15	10	W	San Francisco	50	30	W	Nairobi	28	18	W	Montevideo	22	12	W	Dunedin	15	5	W
Calcutta	25	15	W	Stockholm	10	5	W	Seattle	50	30	W	Windhoek	28	18	W	Asuncion	22	12	W	Christchurch	15	5	W
Chengdu	20	10	W	Taipei	15	10	W	Portland	50	30	W	Antananarivo	28	18	W	Caracas	22	12	W	Invercargill	15	5	W
Chongqing	20	10	W	Tokyo	15	10	W	San Jose	50	30	W	Maputo	28	18	W	Port-au-Prince	22	12	W	Queenstown	15	5	W
Dhaka	25	15	W	Yokohama	15	10	W	San Pedro de Macoris	50	30	W	Luanda	28	18	W	Santiago	22	12	W	Timaru	15	5	W
Hanoi	20	10	W	Osaka	15	10	W	San Salvador	50	30	W	Windhoek	28	18	W	Valparaiso	22	12	W	Wanganui	15	5	W
Hong Kong	25	15	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Kobe	15	10	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
London	10	5	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Los Angeles	70	50	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Madrid	15	10	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Moscow	10	5	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Paris	10	5	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Rome	15	10	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Stockholm	10	5	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Taipei	15	10	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Tokyo	15	10	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W
Yokohama	15	10	W	Sapporo	10	5	W	San Vicente	50	30	W	Windhoek	28	18	W	Santiago	22	12	W	Wanganui	15	5	W

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THE AMERICAS

Susan McDougal Acquitted In Embezzlement Trial

Her Supporters Take Verdict as an Omen for Starr

By Todd S. Purdum
New York Times Service

SANTA MONICA, California — Susan McDougal, President Bill Clinton's former partner in the Whitewater real estate deal, has been acquitted on all nine counts that she forged checks and credit card receipts to steal \$50,000 from the conductor Zubin Mehta and his wife, Nancy, and then failed to pay state income taxes on the money.

As the clerk in Superior Court here read out the verdict of "not guilty" on Monday afternoon, Mrs. McDougal seemed to struggle to hold back tears, finally embracing her lawyers and brushing her brow with her hand, as Mrs. Mehta sat impassively in a front row seat in the courtroom.

"I'm overcome," a tearful Mrs. McDougal said in a corridor as she hugged friends and supporters after the verdict. "I just thank everyone who's helped me."

The verdict ended an occasionally tumultuous 11-week trial, in which Judge Leslie Light repeatedly admonished the voluble Mrs. McDougal to refrain from speaking out of turn. For months, Mrs. McDougal and her lawyer had contended that the embezzlement charges were politically motivated, brought by the authorities here in collusion with the independent counsel, Kenneth Starr — a charge state prosecutors and Mr. Starr flatly denied.

But the verdict did not end Mrs. McDougal's legal odyssey. She is due in federal court in Little Rock, Arkansas, in February to answer criminal contempt and obstruction of justice charges stemming from her refusal to answer Mr. Starr's questions in the Whitewater investigation, and could face up to 12 years in prison if convicted.

Since last spring, Mrs. McDougal has been on probation from her 1996 conviction by Mr. Starr for her role in fraudulently obtaining a \$300,000 loan, some of which later went to pay debts of the Whitewater Development Co., in which she and her husband were partners with Bill and Hillary Rodham Clinton.

Previously, she had been held in jail for 18 months on a civil contempt citation obtained by Mr. Starr for failing to answer questions in the Whitewater investigation.

After Monday's verdict, Mrs. McDougal's lawyer, Mark Geragos, said exultantly of Mr. Starr, "They're not going to be able to throw this around anymore." And her longtime fiancé, Pat Harris, who sobbed as the verdicts were read, shouted in the hallway, "Tell Ken Starr we're coming to Arkansas. We're coming home and this time, we're fighting back!"

In Washington, Mr. Starr's office said the case was "unrelated to the work of this office" and that it would therefore be "inappropriate to comment."

In a brief news conference after the verdict, several jurors said that, after reviewing all the evidence, they were surprised and even angered that the case — first filed in 1993 — had ever been brought at all. But they made it plain that they voted to acquit Mrs. McDougal after three days of deliberations not because of any conspiracy theories but because they did not accept the prosecution's argument that Mrs. McDougal, as a bookkeeper and assistant to Mrs. Mehta from 1989 to 1992, bilked a trusting but "essentially clueless" employer out of tens of thousands of dollars in extravagant spending sprees.

Instead, they said, they saw the case as a friendship gone sour.

One juror, Nancy Nieman, a professor at Santa Monica College, described "two women without very clear boundaries" who had "melded together," and added that "when they break, it's very brittle."

Throughout the trial, the defense portrayed Mrs. Mehta, a former actress, as the lonely spouse of a famous husband with a wandering eye who became obsessed with Mrs. McDougal, showered her with gifts and authorized most of the spending.

The jury foreman, Rufus Gifford, an actor, said that there were "too many holes in her story" and that she should have known Mrs. McDougal was using a credit card issued in both their names.

"It just didn't make any sense," he said.



A jubilant Susan McDougal pointing to the jury after her acquittal on theft charges.

House Panel Plans Hearing on Evils of Perjury

By Guy Gugliotta and Juliet Eilperin
Washington Post Service

WASHINGTON — The House Judiciary Committee has announced that it will devote another public hearing on whether President Bill Clinton should be impeached to a debate on "the consequences of perjury."

The Dec. 1 hearing, committee sources said, is likely to feature testimony from federal judges, individuals convicted of perjury and military personnel, who would talk about the impact on morale of lying under oath. A witness list, however, has not yet been prepared.

The hearing would leave the independent counsel, Kenneth Starr, as the only public witness to discuss the facts in the Judiciary Committee impeachment inquiry of Mr. Clinton. Some committee Republicans have said they expect to vote the week of Dec. 7 on approving at least one article of impeachment against the president for perjury in his grand jury testimony in the Monica Lewinsky affair.

A spokesman for the Democrats on the Judiciary Committee, Jim Jordan, ridiculed as

"mind-boggling" a hearing in which the Republicans propose "to seek guidance as to their constitutional responsibility from a group of convicted felons."

The White House has been alert to any possible deal to avert an impeachment vote in the House and has heard what some officials described as encouraging signs from third parties in contact with the House speaker-designate, Bob Livingston, Republican of Louisiana.

Energy Secretary Bill Richardson, a former House Democrat, has been sounding out former colleagues to see where things stand.

White House and congressional officials said impeachment received only passing mention during a courtesy call Monday by the new White House chief of staff, John Podesta, to Mr. Livingston at the Capitol. According to a White House spokeswoman, Amy Weiss: "Both agreed it was an issue for members of Congress to decide."

Meanwhile, Judiciary Committee investigators took closed-door testimony from Daniel Gecker, attorney for Kathleen Willey,

a former White House volunteer. A deposition from a Democratic fund-raiser, Nathan Landow, originally scheduled for Tuesday, was postponed until next week.

Committee sources said Mr. Gecker's testimony addressed possible efforts by the Clinton administration to influence Mrs. Willey, who has accused Mr. Clinton of groping her in the Oval Office suite in 1993. Although Mr. Starr did not include the Willey allegation in his report of possible impeachable offenses, several Republican committee members have suggested that it may help establish a "pattern of behavior" by the president.

Mr. Gecker testified for about three and a half hours. A committee source said only that "it was a helpful session." Another knowledgeable source said it offered "nothing new."

A Democratic committee member, Robert Scott of Virginia, who attended the session, would not comment on it but noted that Mr. Starr said the Willey material "was not a subject for which impeachment should be contemplated."

Study Offers Simple Way to Cut Heart Deaths

By Thomas H. Maugh 2d
Los Angeles Times Service

LOS ANGELES — A simple, inexpensive treatment that could be used successfully by low-technology hospitals worldwide can dramatically reduce the number of deaths caused by heart attacks, researchers reported Tuesday.

In the United States, the treatment, which involves giving the patient a mixture of sugar, insulin and potassium to nourish heart muscles deprived of oxygen by a heart attack, might prevent 75,000 heart attacks a year, the new research indicates.

The treatment was first devised in the 1960s, but was then discarded because poorly conducted clinical tests led doctors to doubt that it worked.

A new study by a team of researchers from six Latin American countries, however, in-

dicates that the earlier doubts were ill-founded. Their research was reported in *Circulation*, Journal of the American Heart Association.

In a pilot trial involving 407 people who had a heart attack, the use of the treatment, called GIK — for glucose, insulin and potassium (for which K is the chemical symbol) — reduced the overall death rate by half.

In patients who either received a clot-busting drug or underwent angioplasty to open clogged arteries, the use of glucose, insulin and potassium reduced the death rate from 15.2 percent to 5.2 percent.

The trial is "a landmark study," said Dr. Carl Apstein of the Boston University School of Medicine. "The decrease in death rate is dramatic; the largest reduction of just about any intervention that has been tried."

Dr. Timothy Gardner of the University of

Pennsylvania School of Medicine, who is chairman of the American Heart Association's Council on Cardiothoracic Surgery, remarked on "the rather astounding positive beneficial effect" the treatment had in reducing death rates after a heart attack, "up to 40 percent."

By comparison, he said, with clot-busting agents, "we say a 10 percent improvement is really notable."

The trials were conducted by physicians in the ECLA Collaborative Group in Argentina, Brazil, Chile, Mexico, Uruguay and Venezuela. But the researchers cautioned that the number of patients in the study was relatively small and that the physicians knew which patients were receiving the treatment. It is possible, therefore, that the physicians unconsciously gave the treatment to patients they thought more likely to survive.

POLITICAL NOTES

Getting a Good Job in the House

WASHINGTON — Representative Mark Foley of Florida had a plan: earn the gratitude of his party's leaders by raising big money for other Republican candidates and make sure the speaker of the House, Newt Gingrich, noticed.

"Every time Newt turned around, I was there," Mr. Foley recalled, rattling off big-ticket events from Los Angeles to New York. "I think at times he felt like I was gum on his shoe."

The payoff Mr. Foley hoped for would come after the election: a seat on the influential Ways and Means Committee.

Even though Mr. Gingrich will no longer run the House, Mr. Foley had raised the funds and cultivated the relationships that assured him his prize.

Mr. Foley's success illustrates the elaborate efforts lawmakers must exert to secure coveted spots on the "A" committees in the House.

But it also reflects the approach of the speaker-designate, Bob Livingston, to governing.

While Mr. Gingrich placed vulnerable freshmen on key committees, Mr. Livingston chose to distribute plum slots to more senior lawmakers. (WFP)

Starr's Afterthoughts on Tripp

WASHINGTON — Kenneth Starr, the independent counsel, says his office should have had better control of Linda Tripp, whose secret tape recordings triggered his investigation of the Monica Lewinsky scandal.

In an interview with ABC News, Mr. Starr said neither he nor his prosecutors knew that Mrs. Tripp was providing assistance to lawyers for Paula Jones at the same time she was cooperating with Mr. Starr's office.

The interview will be broadcast Wednesday night on ABC's "20/20."

"I think we could have had better control of her," Mr. Starr said when asked about an incident Jan. 16 when Mrs. Tripp left prosecutors and then went to a meeting where she provided information to a Jones lawyer to use in questioning President Bill Clinton the next day about Ms. Lewinsky. (AP)

Quote/Unquote

John Manley, of Salomon Smith Barney, as the Dow Jones industrial average reached a new record: "We've gone through a classic market cycle in a matter of weeks instead of the months or even years that it used to take. We've witnessed the world's first virtual recession, followed by the world's first virtual recovery, and now we're seeing the world's first virtual expansion." (NYT)

Away From Politics



An education board employee being led to safety.

• A father who had waged a hostile campaign against school authorities over the education of his deaf teenage son was shot and killed by a police sniper after he stormed into the Orange County Board of Education in Costa Mesa, California, and held two administrators hostage at gunpoint. Michael Generakos, 45, recently had lost custody of his children and was locked in battle with his estranged wife and a school district he felt was ignoring his wishes over how his son should be taught. (LAT)

• A 9-year-old boy, James Tellason, was killed by a shark as he swam off Ocean Beach at Jaycee Park, 70 miles north of West Palm Beach, Florida. (AP)

Cost of Tobacco Deal Adds 45 Cents a Pack

By Barry Meier
New York Times Service

NEW YORK — Smokers will soon feel the effect of the new \$206 billion tobacco settlement deal, as leading cigarette makers have announced that they are raising wholesale prices by the largest amount in history.

Both Philip Morris Cos., the producer of Marlboro brand cigarettes, and R.J. Reynolds Tobacco Co., a unit of R.J.R. Nabisco Holdings Corp., the producer of Winston brand cigarettes, said they would raise cigarette prices 45 cents a package.

Analysts had predicted that producers might raise wholesale prices sharply Monday as the industry signed a huge legal settlement with 46 states over litigation brought against tobacco companies to recover health care costs related to smoking.

But the price increases were somewhat higher than expected, and the two other major companies that took part in the tobacco accord, Brown & Williamson Tobacco — owned by BAT Industries PLC — and Lorillard Tobacco — owned by Loews Corp. — are expected to follow suit.

The price increase, if passed along fully to consumers, would raise the average cost of a package of cigarettes to \$2.43. But in the cigarette industry, the full effect of such price increases is not always felt by the consumer because competitive discounting by manufacturers takes place on the wholesale level.

Following settlements over the past year with four states — Florida, Minnesota, Mississippi and Texas — under which the tobacco industry agreed to pay a total of \$40 billion over 25 years, producers announced wholesale price increases of 20 cents a pack to reflect the cost of those settlements. But for competitive reasons, some makers did not pass those price increases through on all their brands, in order to gain marketplace advantages over their rivals.

Analysts have put the cost of the settlement plan with the 46 states at about 35 to 40 cents a pack. Under the accord, the \$206 billion would be paid over 25 years. Industry officials made no secret in settlement talks that the cost of the accord would be borne by smokers.

State Wants Whole Picture on Kevorkian

By Bill Dedman
New York Times Service

NEW YORK — The nationally televised death of a Michigan man at the hands of Dr. Jack Kevorkian appeared to be illegal, according to the prosecuting attorney in Pontiac, Michigan, but a decision on whether to prosecute him could not rest on televised excerpts of the videotapes.

The excerpts of the videotapes were shown Sunday night on the CBS News show "60 Minutes" and helped bolster the show's ratings on the important last weekend of the November "sweeps," when audiences are measured to set advertising rates.

"After viewing the edited

portions of the video last night, it appeared a homicide was committed in violation of the laws of the state of Michigan," said David Gorcyca, the prosecuting attorney for Oakland County.

"However, a charging decision will not be made until the videotapes are viewed in their entirety."

Dr. Kevorkian wants to be charged with murder or a lesser crime for his involvement in the death by lethal injection of Thomas Youk, said David Gorcyca. Dr. Kevorkian's lawyer, Dr. Kevorkian, a retired pathologist whose license to practice medicine has been revoked in Michigan and California, did not return telephone calls, but told his law-

yer he would give the prosecutor one week to file charges against him.

Mr. Gorcyca said Dr. Kevorkian told him that if he were not charged, he would consider Oakland County a "euthanasia-free zone," and then would continue helping others to die. Dr. Kevorkian has said he wants to be charged and acquitted, or, if convicted, to die by a hunger strike in prison.

Mr. Youk, a 52-year-old accountant and race-car enthusiast who was suffering from Lou Gehrig's disease, died Sept. 17 at home in Waterford, Michigan, with only Dr. Kevorkian present.

Mr. Youk's wife, Melody, said on "60 Minutes" that

she did not consider his death to be murder.

The case is apparently the first in which Dr. Kevorkian has administered the lethal drugs himself. In other cases he has been present during self-induced deaths in which his "suicide machine" was used. The death scene shown on "60 Minutes" was videotaped by Dr. Kevorkian.

DID YOU MISS A DAY THIS WEEK?

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ASIA/PACIFIC

Jakarta Vows To Investigate Reports of Timor Killings

JAKARTA — Indonesia's National Commission on Human Rights will investigate claims that soldiers executed as many as 50 East Timorese earlier this month in a military operation against armed rebels in the troubled province, a senior government official said Tuesday.

Marzuki Darusman, deputy chairman of the rights panel, said a senior commission member would investigate allegations of extrajudicial executions and arbitrary arrests carried out by the armed forces from Nov. 10 to 16 in the sub-district of Alas on East Timor's southern coast.

"We're planning on sending Mr. Clementino Amaral to look into this. He'll be doing the investigating — he'll be doing it almost immediately," Mr. Darusman said, adding that he believed the death toll was less than 50.

Clementino Dos Reis Amaral is a commission member from East Timor. The former Portuguese governor of East Timor, Mario Carrascalao, said Tuesday that 42 people had been executed, more than 40 had been wounded and that 200 others were missing in the Alas area.

Mr. Carrascalao said he was prepared to go himself and investigate the allegations. He claimed the area where the killings had occurred was also a site for resettlement of Javanese under a government resettlement program.

"The area of Alas is closed to anyone from outside," he said in Jakarta. "The only way to know the real truth is for the government to send a mission from Jakarta. I'd be prepared to do that. I'd like to know the real truth about what happened."

Portugal suspended UN-brokered talks with Jakarta on Friday after the first reports that civilians had been killed in an area where guerrillas are active. Mr. Carrascalao said the talks were scheduled to resume Tuesday in New York.

The Australian-based East Timor Human Rights Center released a report Tuesday claiming the Indonesian military had executed 50 East Timorese and arrested 30 others, including 2 teenage girls. It named 14 of those killed and expressed grave fears for the safety of the detainees.

"The killings and arrests in the Alas sub-district have followed the recent buildup of Indonesian troops in the area. It is believed ABRI forces launched the operation in Alas in retaliation for an attack" on Nov. 9, the report said, a copy of which was received by The New York Times. ABRI is the Indonesian acronym for the army.

Rebels belonging to the East Timorese Armed Resistance had killed 3 Indonesian soldiers and taken 13 captive. 11 of whom had since been released, the report added.

According to sources at the Australian group, the Indonesian military forces responsible for the operation included personnel from the elite Marines, Kopassus special forces and units of East Timorese recruited into the Indonesian military.

To protest the killings, as many as 2,000 East Timorese students continue to occupy the local Parliament building in the Timorese capital, Dili, following demonstrations outside the building on Monday.



Students demanding the ouster of the army's commanding officer, General Wiranto, marching Tuesday toward the presidential palace in Jakarta.

BRIEFLY

Christians in India Condemn Attacks

NEW DELHI — India's tiny Christian community sent an open letter to the country's 950 million people Tuesday, voicing its "deep sense of pain and anguish" at attacks by Hindu zealots.

Releasing the letter, Archbishop Alan de Lastic, chief of the United Christian Forum for Human Rights, said, "These attacks are damaging to the social fabric of the country, more so when they are committed on women." He added that the level of violence directed at Christians in 1998 was higher than at any time since India's independence from British rule in 1947.

India's Hindu nationalist-led coalition government hotly denied the archbishop's accusations, saying its policies on religious minorities in overwhelmingly Hindu India were evenhanded.

Activist Says China Bars Election Run

BEIJING — A longtime democracy activist who tried to run in a local Chinese election said Tuesday that authorities put an end to his campaign.

Workers who nominated He Depu as a candidate for the Chaoyang dis-

trict legislature in Beijing were told that their voting area was being redrawn and that the nomination was invalid, the dissident said. (AP)

Pakistani Scientist Backs Test-Ban Pact

ISLAMABAD — Pakistan's top nuclear scientist, Abdul Qader Khan, said Tuesday he saw no objection to his nation's signing the 1996 Comprehensive Test Ban Treaty.

But if Pakistan were to sign a Fissile Material Cutoff Treaty, which is yet to be negotiated under the United Nations aegis, it would affect the country's nuclear capability, he said. (AFP)

Anti-Terror Officials Shot At in Karachi

KARACHI, Pakistan — Two gunmen on a motorcycle Tuesday shot at two Colombian experts and a United Nations Development Program official who were in Karachi to advise the authorities on fighting terrorism, police sources said.

Dario Barbarena and Edgar Suarez, who belong to a law and order commission in Colombia, and a UN official, Paul Oquist, were traveling in an armored vehicle and escaped unhurt, the sources said. (AFP)

Japan Fails to Curb Child Porn on Web

The Associated Press

TOKYO — Hundreds of pornographic images of children flood Internet sites with addresses ending in ".jp," a tip-off that they originate in Japan and that there is nothing officials can do about it.

With no laws explicitly banning child pornography, Japan has become the global leader in the fast-growing Internet child pornography business.

Japanese police say there are about 1,200 commercial child pornography Internet sites in Japan. Some feature photos of children from Japan, others of Southeast Asian children.

Keiji Goto, an official at the National Police Agency, said police were frustrated by cases in which they identified the source of a pornographic site but were unable to take further action.

Because Japan has no law on child porn, officers must apply the general criminal code on pornography — which is vaguely worded, but defined in prac-

tice as including material depicting sexual organs.

Most child-porn sites skirt that law by using images that show abuse or torture of children without directly showing sexual organs.

A bill to outlaw child pornography, on and off the Internet, was submitted to Parliament this year, backed almost entirely by female legislators. But the bill has not made it onto Parliament's agenda and is not likely to come up for consideration soon.

"No nation that values democracy and freedom should condone child pornography," said Mayumi Moriyama, a former cabinet minister who is behind the bill. "We must pass the law for the honor of Japan."

Activists say the root of the problem lies in the lack of sensitivity among Japanese to children's and women's issues.

Nude photos of women and sexual drawings are routinely carried by tabloid

newspapers that are read by men in public, often on commuter trains in plain view of children and women.

"People need to realize that Japan is being targeted as a major problem by the international community," said Junko Miyamoto, head of a group that has been working for six years to ban child pornography. "The situation is totally out of control."

Carol Smolenski, coordinator for the U.S. branch of the group End Child Prostitution, Child Pornography and Trafficking of Children, said that because of the reach of the Internet, Japan has a responsibility to the world to crack down.

"We are affected by Japan's laws. The Internet has changed the field," she said. "We're absolutely outraged by how easy it is to get."

Donald Hoyerke, a U.S. Customs agent, said he gets four or five complaints a week from American groups about Japanese child porn sites on the Internet.

SUMMIT: Jiang's Historic Visit

Continued from Page 1

to send its top leader," said Ezra Vogel, director of Harvard's Fairbank Center for East Asian Research and a former Clinton administration intelligence official.

"China in the old world order was the center of the universe and expected envoys to come to China," Mr. Vogel said. "Now they are sufficiently at peace that the head of China is willing to go to Tokyo. It's a recognition of a very different world order for China, different from during wartime or during the Cold War."

But hostility still runs deep. Chinese, from young professionals to the elderly farmers of Huanghuayu, routinely refer to Japanese as "devils," and Japan fuels this fire because it often appears unwilling to deal with its brutal past. For example, the Nanjing massacre, in which at least 200,000 civilians and unarmed soldiers were killed and tens of thousands of women were raped, is barely covered in Japanese textbooks.

"Japan has never completely abandoned its militarist past in the same way as Germany has with the Nazis," the Chinese foreign minister, Tang Jiaxuan, said last week. "If it were to do so, China and other Asian nations would not have to keep reminding Japan of history so often."

Improved relations also will depend on how Mr. Jiang and Mr. Obuchi address a series of other sensitive issues, among them economic ties, Japan's security alliance with the United States and policy on Taiwan.

With \$63.8 billion in trade last year, Japan is China's top trading partner. But trade is forecast to shrink this year for the first time since 1990 because of the Asian economic crisis. China has criticized Japan for not doing enough to pull itself out of recession and aid the region's other ailing economies, while Beijing has held itself up as a model because it has not devalued its currency.

Last week, China announced a \$5.5 billion package to aid the region's economies, and said a U.S. and Japanese pledge of \$10 billion should have been made long ago.

On Taiwan, China wants Japan to follow the lead of the United States. In June, President Bill Clinton declared in Shanghai that the United States does not support Taiwanese independence, one Taiwan and one China, or Taiwan's membership in international organizations that require statehood — a formula known in China as the "three no's."

Japan has rejected China's demand to issue a joint declaration on this issue. Even less likely to succeed is China's



Foreign Minister Masahiko Komura of Japan, left, welcoming his Chinese counterpart, Tang Jiaxuan, to Tokyo before they held talks Tuesday.

attempt to push Japan into stating that Taiwan will not be defended by any joint defense agreement with the United States.

"The three no's are not enough. I think Japan should say four no's," said Liu Jiaqiang, director of the northeast Asia division of the China Institute of Contemporary International Relations. "They should say: 'The U.S.-Japan Security Alliance does not include Taiwan.'"

Another touchy issue is missile defense. The United States and Japan are negotiating a plan for Japan to participate in the creation of a missile defense network for the two nations and possibly other parts of Asia. China has been a vociferous critic of this proposal because missiles are China's main offensive weapon. Chinese officials reject Japan's argument that the main target of this potential defensive shield would be North Korea, which on Aug. 31 fired a missile over Japanese territory.

But for all the realpolitik, it is the memories and the pocketbooks of people like the farmers of Huanghuayu village in eastern Hebei Province

that frame Chinese-Japanese ties. With flames engulfing his family home during the Japanese occupation, Yang Shixian was pulled to safety over a wall by his mother and grandmother. His father had been killed five months earlier in a previous Japanese massacre, and his mother later provided for the family by begging. Now, Mr. Yang is supported by Japan's appetite for chestnuts.

"The nation can't forget the events of the past," said Mr. Yang. But "mutually beneficial things are not connected to that stuff. If you recall those times, there's no way to do any trade at all. Doing trade is just buying and selling."

Even the most heartfelt apology during the Tokyo summit may do little to heal Huanghuayu and other large swaths of China, where grief remains close to the surface.

Yang Shixian, 88, burst into tears at the recreation of the Japanese. "My father — burned to death! Burned to death!" he sobbed. More than 100 men were burned to death in the village that day in 1943. Among them, 50 were incinerated in the village's chestnut cellar.

AIDS: Infections Increasing

Continued from Page 1

people under 15 years old resulted from infection in utero, at birth, or through breastfeeding.

HIV runs rampant in Africa, the report noted. Namibia and Swaziland have been added to the list of countries where from 20 percent to 26 percent of people aged 15 to 39 are infected. They join Botswana and Zimbabwe as the countries with the highest infection rates.

Despite the staggering rates, many in those countries refuse to discuss AIDS. "The silence needs to be broken," Dr. Piot said.

HIV trends in India, where 930 million people live, are also alarming. Only two years ago, HIV was thought to be concentrated among urban sex trade workers and their clients. Dr. Piot said in an interview. Now in five Indian states, more than 1 percent of pregnant women in urban areas are infected.

Similarly, rural areas, where 73 percent of Indians live, were thought to be spared from HIV. Now in some areas HIV is common in villages and cities.

A random survey of households in the Indian state of Tamil Nadu with 25 million people indicates that 500,000 are infected. Infection rates are 2.1 percent in rural areas compared with 0.7 percent in cities. The rates are expected to soar because 10 percent of the population had gonorrhea, syphilis and other sexually transmitted diseases, which increase the risk of HIV infection.

Many women who have sex only with their husbands are at high risk of becoming infected. In one study, of 400 women attending a clinic for sexually transmitted diseases in the city of Pune, 93 percent were married and 91 percent said they never had sex with anyone but their husbands.

During 1998, the United States and Western Europe recorded little progress in reducing the number of new HIV infections, and while the disease is not out of control in these areas, it has not

HIV Region by Region

Despite prevention efforts, HIV infections are still rising in many regions.

Region	TOTAL WITH HIV	PERCENTAGE OF TOTAL POPULATION	PERCENTAGE OF NEW INFECTIONS	MODELS OF TRANSMISSION
Sub-Saharan Africa	22.5 million	1.5%	1.5%	MSM, IDU, HS
North America	2.1 million	0.7%	0.7%	IDU, HS
Europe	2.1 million	0.7%	0.7%	IDU, HS
South & South East Asia	8.7 million	1.2%	1.2%	MSM, IDU, HS
East Asia & Pacific	26.4 million	0.2%	0.2%	MSM, IDU, HS
Latin America	1.4 million	0.7%	0.7%	MSM, IDU, HS
Caribbean	250,000	0.7%	0.7%	MSM, IDU, HS
Eastern Europe & Central Asia	270,000	0.7%	0.7%	IDU, HS
Western Europe	590,000	0.7%	0.7%	MSM, IDU, HS
North America	290,000	0.7%	0.7%	MSM, IDU, HS
Australia & New Zealand	12,000	0.7%	0.7%	MSM, IDU, HS

*MSM = Men who have sex with men; IDU = Intravenous drug use; HS = Hemophilia.

Source: UNAIDS

been stopped, the United Nations said.

"The epidemic has not been overcome anywhere," Dr. Piot said.

With a vaccine against the HIV virus at least four or five years away, Dr. Piot said prevention was the best way to fight the epidemic. "I predict in the near future we will see much progress" in vaccines, he said Tuesday, adding that several vaccines were in early trials.

World AIDS Day will focus on ways to harness the power of youth to prevent HIV infections. The United Nations report said that young people were more likely to practice abstinence or safer sex than adults if they had the information and skills to do so.

In Senegal, 40 percent of women under 25 and 65 percent of men used condoms with nonregular partners in 1997, compared with less than 5 percent for both sexes at the start of the decade due largely to educational programs.

In Western Europe, 60 percent of young people now use condoms the first time they ever have sex, up from 10 percent since the early 1990s. Never-

theless, in the United States 3 million adolescents a year contract a sexually transmitted disease, a clear indicator of unsafe sex that also increases the risk of transmitting HIV.

Since 1981, when AIDS was first recognized, 47 million people have become infected and 14 million have died. Of these, 2.5 million will have occurred in 1998. AIDS now kills more people worldwide than any other infection, ahead of malaria, which caused 1 million deaths. Tuberculosis is third.

Because tuberculosis is common among HIV-infected people, and accounts for 30 percent of all AIDS deaths, stronger effort is needed to combat tuberculosis and AIDS, the UN said.

An MTV Goodwill Ambassador

The United Nations has appointed William Roedy, president of MTV Networks International, the popular music television channel, as a goodwill ambassador to help combat the spread of the disease. Agence France-Press reported.

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EUROPE

EU Supports Italy in Fight With Turkey

Compiled by Our Staff From Dispatches

BRUSSELS — The European Union warned Turkey on Tuesday that any government-backed boycott of Italian goods over the Abdullah Ocalan dispute would violate agreements and could lead to retaliation.

Italy is in a diplomatic fight with Turkey over a decision by an Italian court not to recognize a Turkish international arrest warrant for the detained Kurdish rebel leader, whom Ankara holds responsible for 29,000 deaths.

EU officials, making their strongest intervention yet in the dispute, also hinted that the affair could set back Turkish hopes of joining the 15-nation bloc.

At a joint news conference with Prime Minister Massimo d'Alema of Italy, the European Commission president, Jacques Santer, said any Turkish boycott "would represent a breach of our association agreement of 1963 but also a breach of the customs union agreement of 1995."

Turkish ministers have said that the country would ban Italian companies from seeking defense contracts and that Italian television networks would be excluded from Turkish cables. Hundreds of companies have also announced boycotts of Italian goods amid widespread outrage in Turkey over Italy's refusal to hand over Mr. Ocalan.

EU officials said a Turkish boycott would have to be officially inspired to run the risk of EU retaliation and that TV stations and defense contracts were not covered by the agreements the EU has with Turkey. Turkey's delegation to the EU said reports of an official boycott of Italian goods in Turkey were wrong. Private organizations and consumer groups had, however, condemned Italy's actions, it said.

Mr. D'Alema voiced confidence that the EU would look into whether Turkish boycott calls were government-inspired.

Mr. Ocalan leads the Kurdish Workers Party, or PKK, which has fought a 14-year war for autonomy. The conflict has killed about 37,000 people. Turkey says Mr. Ocalan is a terrorist and should be brought to trial.

In a separate development, the Italian government said Tuesday that it wanted Germany to make up its mind whether to act on its arrest warrant and request Mr. Ocalan's extradition.

Foreign Minister Lamberto Dini said he wanted to make clear that Italy had detained the leader of Turkey's outlawed Kurdistan Workers Party because German authorities had asked for him to be arrested.

(Reuters, AP)



President Roman Herzog at Berlin session with his wife and his chief of staff, Wilhelm Staudacher, right, and Franz Muentefering, the housing minister, left.

Germany's Leaders Gather in Berlin

Compiled by Our Staff From Dispatches

BERLIN — Chancellor Gerhard Schröder presided Tuesday over the first meeting in Berlin in 50 years of government ministers in a united Germany.

Mr. Schröder, eager to expedite the government's move to Berlin from Bonn, held a meeting of the Council of Ministers on Tuesday.

On Wednesday, Mr. Schröder, who was elected chancellor in September, is scheduled to convene the first cabinet meeting in the provisional chancellery — the building where the former Communist leader of East Germany, Erich Honecker, worked.

The Parliament and most of the government ministries are scheduled to move from Bonn to Berlin in the middle of 1999. Mr. Schröder's new chancellery is not scheduled to be finished until October 1999.

The new chancellor said he wanted to hold regular cabinet meetings in Berlin, a largely symbolic gesture to the city, which has been waiting since 1991 for the promised move by the government from Bonn, 600 kilometers (360 miles) to the west. Mr. Schröder also wants to hold parliamentary sessions in the spring before the move.

By holding the Council of Ministers meeting in Berlin, Mr. Schröder also underscored the priority that he gives to the economic reconstruction of Eastern Germany, which still lags the more prosperous West.

Bonn, chosen as the seat of government when the federal republic, or West Germany, was created in 1949, was viewed by most political leaders as a temporary capital pending the end of Germany's postwar division, which came in 1990.

(AFP, Reuters)

Raiders Shoot 2 At Store in Paris

Compiled by Our Staff From Dispatches

PARIS — Two hooded gunmen seriously wounded two people as they robbed a currency exchange office at a leading Paris department store Tuesday, the police said.

Seven other people were injured as shoppers fled in panic at Au Printemps, a police spokeswoman said.

Police said the robbers grabbed 240,000 francs (\$42,000) from the bureau de change on the ground floor of the building.

The gunmen fired at a security guard who tried to stop them, police sources said, but missed, and a bystander was hit in the head.

Another passerby who tried to intervene was shot in the head outside the store as the gunmen escaped on foot. Other people were hurt by flying glass or hit with pistol bullets.

Au Printemps is a favorite tourist haunt and normally packed at this time of year when people visit to see the store's Christmas window displays.

(Reuters, AFP)

With EU Ban Ending, Cattlemen Face Buyers' Doubts on British Beef

Compiled by Our Staff From Dispatches

LONDON — The European Union's lifting of a ban on British beef exports could save many British cattle farmers from ruin, but officials said Tuesday that they still faced a struggle to win back markets lost during the scare over "mad cow" disease.

The vote Monday in Brussels only cleared the way for lifting the worldwide ban that was imposed in March 1996 after evidence of a connection between bovine spongiform encephalopathy, or mad cow disease, and a fatal human brain condition.

Before shipments of British beef can resume, there will be a minimum of three months' preparatory work, officials say. In the meantime, the sector, in which many farms have been brought to the edge of bankruptcy, must seek to regain the consumer's confidence — a notoriously difficult task when the product is food.

A spokeswoman for the European Consumer Organization, representing 24 national consumer bodies, said that "consumer confidence in British beef across Europe is pretty shaky." Germany's agriculture minister, Karl-Heinz Funke, the only minister to oppose the EU

decision to lift the embargo, said Tuesday that consumer protection had to come first.

"The decision comes too soon," Mr. Funke said, adding that he thought British authorities would not be able to guarantee safe controls.

A call-in survey by RTL television in Germany found that 87 percent of respondents said they would boycott all beef to register disapproval of the EU decision.

Shoppers in a Paris supermarket also said Tuesday they had no faith in the safety of British beef.

"I'm not ready to eat it," said one man. "I'm against lifting the ban — we don't know enough about this disease, and there are not enough guarantees the meat is safe." France was one of four EU countries to abstain from the vote Monday on lifting the embargo.

The British agriculture minister, Nick Brown, conceded that it would take time to win back markets. But Britain's Meat and Livestock Commission has begun circulating tens of thousands of promotional leaflets abroad and is expected to expand its marketing campaign as soon as a firm date for renewal of exports has been set.

(AFP, Reuters)

BRIEFLY

Day of Decision on Pinochet

LONDON — General Augusto Pinochet, the former Chilean dictator, will learn Wednesday, his 83rd birthday, whether he enjoys immunity from arrest or faces extradition to Spain on charges of murder, torture and genocide.

The House of Lords, the highest court in Britain, is expected to rule on an appeal contesting a High Court decision that the arrest of General Pinochet in London last month was wrong because the offenses for which he is accused took place while he was head of state.

The arrest was carried out at the request of a Spanish judge.

If the appeal is rejected, General Pinochet will be free to leave the north London clinic where he is under police guard. If the appeal is upheld, Home Secretary Jack Straw has until Dec. 2 to decide whether to go ahead with extradition proceedings.

(Reuters)

Yilmaz Wants Election Quickly

ANKARA — Prime Minister Mesut Yilmaz called Tuesday for general elections as soon as possible to restore stability after the expected fall Wednesday of his minority government.

Mr. Yilmaz said he was not interested in any new coalition deals before a parliamentary censure vote Wednesday. He acknowledged that he stood little chance of winning the vote.

Mr. Yilmaz told lawmakers from his party that the election should be held before the April 18 date already set by Parliament.

He said he would not oppose a caretaker coalition to lead the country to early polls as long as it did not carry out an "election economy" of distributing government largesse to influence the electorate.

(Reuters)

Albanians Back New Charter

TIRANA, Albania — The Central Election Commission said Tuesday that the first results from a weekend referendum showed overwhelming approval for a new post-Communist constitution.

The government of Prime Minister Pandeli Majko has already claimed victory, but the opposition Democrats of former President Sali Berisha, who boycotted the vote, have alleged the results were manipulated.

The secretary-general of the commission, Shadin Bistri, said the constitution had won the backing of 89.5 percent to 93.5 percent of voters in regions already counted.

(Reuters)

'Carlos' Ends Hunger Strike

PARIS — The jailed guerrilla known as "Carlos the Jackal" has ended a 20-day hunger strike, heeding a request from former Palestinian comrades-in-arms to stay alive and keep up the fight, his lawyer said Tuesday.

Carlos, serving a life sentence for the murder of two French counterespionage agents, began the hunger strike to protest his solitary confinement in La Santé prison and alleged harassment by guards.

Isabelle Coutant-Peyre, his lawyer, said Carlos had been in poor condition when he ended his hunger strike, with low blood pressure and signs pointing to irreversible health damage.

(Reuters)

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INTERNATIONAL

Behavior of Chiapas Rebels Enrages Mediators and Threatens New Talks

By Molly Moore
Washington Post Service

SAN CRISTOBAL DELAS CASAS, Mexico — When Zapatista rebels, wearing trademark black ski masks, filed into their first session with government-backed mediators in more than two years, they refused to shake the outstretched hands of the commission members.

That was only the first snub. Sitting across the table from the Mexican Congress mediators, the rebels began with a tirade. They called the commission members racists, compared them to the reviled Spanish conquistadors and accused them of treating the rebel delegates "like animals" by giving them

quarters with rusty cots, nonusable toilets and no fax line.

Furious, the mediators threatened to end the talks and escort the Zapatistas back to their jungle hideouts here in the southern state of Chiapas.

After two years of silence, the verbal clashes over the weekend between leaders of the Zapatista National Liberation Army and the Mexican legislators amplified the deep cultural and political divides that have prevented the two sides from resolving one of this nation's most intractable problems.

Five years after Zapatista rebels led a brief armed uprising demanding greater rights for the indigenous Indians of this impoverished state, much of Chiapas has become a military zone, the peace pro-

cess has been abandoned and, until last weekend, the only form of communication between the government and the rebels has been bitter recriminations fired from a distance.

In the intervening years, the government, as well as the Zapatistas and their verbose, pipe-smoking leader, Subcomandante Marcos, have lost credibility.

Although both sides entered the talks with low expectations, some political observers hoped that the first face-to-face encounter between the rebels and the mediators could break the two-year-long impasse.

The Zapatistas walked away from talks in September 1996 after the government of President Ernesto Zedillo reneged on supporting the peace accord

both sides had signed granting new rights to indigenous Indians.

In the end, the Zapatista rebels and lawmakers conducted a second, more civil meeting Sunday night, but the most concrete conclusion seemed to be that they had left open the possibility of meeting again.

"This had nothing to do with toilets and beds," said Mariclaire Acosta, one of Mexico's most prominent human rights leaders, who was among a small delegation of civic activists who spent nearly two hours late Friday night trying to calm infuriated mediators and convince them to continue the talks after the rebels' first outburst.

"There's a very legitimate anger on the part of the Zapatistas toward this

commission," Miss Acosta said, pointing out that the government had not done anything in two years to resolve the problems of the Indians.

The Zapatistas told the commission they would not return to the negotiating table unless the government met five specific demands, including implementation of the peace accords that were signed by Mr. Zedillo but never submitted to Congress.

The same members of Congress who sit on the mediation commission and traveled to this colonial city in the Chiapas highlands hoping to set the stage for restarting stalled peace talks have refused to support legislation the rebels consider essential to resuming talks. Members of the commission also

concede that the Zapatistas consider the group too closely allied with the government.

The commission only assumed the role of mediators — but not negotiators — in recent months after the government's refusal to negotiate prompted the bishop of Chiapas to disband the mediation commission he headed. The government had considered that group to be too pro-Zapatista.

In a final rebuff to the commission, leaders of the Zapatista National Liberation Army refused to accept from the legislative commission two sealed envelopes from the government that reportedly contained statements or conditions for negotiations. The rebels said the commission was not the proper body to deliver proposals from the government.

A government spokesman said the unwillingness of the rebels to accept the communiqué showed they were "not sincere in wanting a true dialogue."

For more successful than the rebels' sessions with the legislative commission were their meetings with about 3,000 representatives of civic organizations. In recent years the Zapatista National Liberation Army not only has severed its ties with the government, but also has become estranged from the nongovernmental groups that had once been ardent supporters.

Zapatista leaders, many of them clad in the traditional straw hats and thick black wool ponchos of indigenous villagers, participated in hours of discussions inside a convent turned cultural center here. It was the largest gathering of Mexico's "civil society" to address the Chiapas problem since before the current stalemate in peace talks.

"Just the fact that everyone has gone together and is participating makes this a tremendous success," said Felipe Eche-nique March, a delegate from a government employees' union. "This is a very slow, very difficult process."

Subcomandante Marcos did not attend the meetings last weekend because of security concerns, according to his top lieutenants, but he did send a taped hour-long speech, which was played for a session of the civic associations' gathering.

The groups agreed to support a Zapatista effort to start a nationwide political mobilization in support of indigenous rights across Mexico.

The Zapatistas said they planned to disperse 5,000 supporters to communities nationwide to start the effort in hopes of affecting national elections in 2000.

Although delegates to the civil-society sessions expressed optimism about the effort, previous attempts by the Zapatistas to rally widespread political support outside of Chiapas have failed.

AIRPORT: Palestinians Cheer Their Own

Continued from Page 1

Boeing 727 given by a Saudi prince, Walid bin Talal. There are 20 pilots, most with Egyptian flying certificates.

"It may look like a little airport to you, but to us, it's bigger than John F. Kennedy," said Nabil Shurafa, a travel agent in Gaza City who was videotaping the ceremony.

The alabaster towers of the new airport rise from a particularly hard-scrabble stretch of southern Gaza near the Egyptian border. Thousands of locals pushed at its gates on Tuesday morning, begging to be let into the closed ceremony, gapping at the elaborate, Moroccan-style architecture and docking with the whoosh of each landing plane.

For Mafa Barakhi, an elderly woman wrapped in black from head to toe, the moment was too important to experience from afar. Like many, she had never even seen a plane before. She wanted to be on the tarmac, to untangle and raise her hands to the heavens, she said. She finally did, when the gates were opened and the Palestinians swarmed the grounds, chanting, dancing, laying down prayer rugs and otherwise making it their own.

"I want to fly to Mecca," she said. "I hope God gives me this gift, to go up in the sky like a bird, on Palestinian wings. Hey, we have Palestinian passports now. I can travel with my Palestinian passport on a Palestinian plane. This is Palestine!"

At 8:20 a.m., with a punctuality remarkable for Gaza, the first plane landed: a white Airbus from Egypt, disgorging government officials and three aides. One, a comedian, Adel Imam, asked the entire flight staff of the Palestine National Airline — 18 women in navy pantsuits and Muslim headscarves — to jump up and down and squeal.

The Jordanians flew in next, followed by the Moroccans, the Spanish, and the Dutch — with the Egyptians, the principal donors to the project.

The bagpipes, a holdover from the days of the British mandate, seemed a disconcerting greeting to many as they strode the red carpet past upturned bayonets on their way into the VIP lounge to visit with Yasser Arafat, the Palestinian leader.

On Wednesday, Mr. Arafat is scheduled to be the first to depart from the new airport, en route to France.

The lounge, a lavish building decorated with Moroccan mosaics, crystal chandeliers and a fountain, bears a gilded dome atop its roof, meant to echo the Dome of the Rock mosque in Jerusalem. In a manner that annoyed Israeli officials, Jerusalem was itself a constant theme as Palestinian officials got swept away by the moment.

"God willing, we will open the Jerusalem Airport next," Mr. Arafat said at the Gaza airport, to responses of "God willing!"

The fate of Jerusalem will be debated in the final status peace talks, which began last week. The Israelis say it will remain undivided, but the Palestinians want to reclaim East Jerusalem, annexed by Israel in 1967, as the capital of their eventual state.

Last week, under the new peace memorandum signed in Washington, the first of a three-phase Israeli withdrawal from the West Bank tripled the amount of territory under complete Palestinian control. Still, it was sparsely populated, rural land dotted with small towns and villages. The Palestinian response was quiet, and Mr. Arafat received only two calls of congratulations from world leaders: one from Secretary of State Madeleine Albright; the other from a Norwegian official.



Joyful crowds pouring into the Gaza international airport as Palestinians celebrated an important new symbol.

On Tuesday, by contrast, a Who's Who of the Palestinian leadership was at hand as well as dignitaries from the Arab world and Europe, proclaiming the opening of the airport a milestone.

"I consider this the first practical implementation of what was agreed upon at Wye River," said Mohammed Dahlan, the chief of security in the Gaza Strip, referring to the site in Maryland where the peace talks were held.

During the year-and-a-half delay before opening, the Palestinian airline was operating on a limited basis out of El

Arish in Egypt. Passengers traveled by bus across the border and often waited hours before departure.

When the airport opens next week, there will still be difficulties to resolve.

Some \$15 million in donated equipment, including radar and high-tech air traffic control devices, has been held up in a dispute between Israel and the donor nations. Most of it has sat in the port of Ashdod for the last year. Now that the airport is open, the Port Authority of Israel is demanding \$650,000 in storage fees to release it.

And Germany, which donated \$3 million in night-landing equipment, has held it in Hamburg because it fears the same difficulties with Israeli customs and security officials. As a result, the airport will open only with daylight flights.

Also, in the end, it is the Israelis who will maintain general security control over the airport.

Israel also has ultimate authority over flight routes and which airlines use the airport. It has said it will not allow countries at war with the Jewish state to fly there.

FUNERAL: Thousands Mourn Murdered Russian Politician

Continued from Page 1

years of the Soviet Union and early years of this decade. They were bitter: Nationalist, Communist and other leftist groups sent second-tier representatives, if they sent anyone at all.

Anatoli Chubais, a leading free-market reformer who was ousted from government this summer, sounded an alarm.

"They're killing our friends. They're killing our comrades," he declared during an emotional eulogy.

"They want to frighten us. But they won't succeed," he continued as his voice rose in anger.

Earlier, he said that "Communists and bandits" were to blame for Miss Starovoitova's death.

Another liberal former minister, Boris Nemtsov, said Miss Starovoitova's killers "think we will step aside — they expect complete impunity."

Sergei Kiriyenko, one of three former prime ministers to attend the service, characterized the murder as "purely political."

The solemn, strident music that echoed in the hall seemed as much a dirge for the democrats as for Miss Starovoitova. Economic hardship that

began under their rule has drained the movement of popular support. Some activists hoped that her death would encourage an illusive unity among them.

"This is a great stimulus for democratic leaders to recognize their responsibilities," said Yegor Gaidar, a former prime minister and head of Russia's Democratic Choice.

Yet it is apparent that the forces that initially brought democracy to Russia lack a galvanizing leader. President Boris Yeltsin, once their anchor, is politically weak and physically frail. On Tuesday, he remained in Moscow in recuperation from pneumonia, the latest in a series of illnesses that have effectively eliminated him from public life.

The business newspaper Kommersant blamed Mr. Yeltsin for being overzealous to turn a blind eye to regional instability and crime.

"The government has given up its position, has ceased to govern," the paper wrote in a front-page article entitled "The Price of Powerlessness."

"First, Yeltsin declined to work on the economy and took on the role of upholder of the constitution. Now he can't even do this," the commentary said. "To pay for concord — which doesn't exist —

with human life is too expensive."

Victor Chernomyrdin, the third former prime minister among the mourners, said government leaders must find the murderers to "save their reputation."

In Moscow, Communist leaders called for "emergency measures" to bring Russia under control. The party was on the defensive; the most recent edition of a newspaper edited by Miss Starovoitova's St. Petersburg followers alleged that Genadi Seleznyov, a Communist Party official and speaker of the Duma, was shaking down St. Petersburg business people to finance his presidential campaign.

Mr. Seleznyov threatened to sue the paper and advanced the theory that "extremists from democratic organizations" killed Miss Starovoitova in order to create a martyr. The author of the article, Ruslan Linkov, was badly wounded during the attack on Miss Starovoitova, and is hospitalized under guard.

One possible motive for Miss Starovoitova's murder centers on St. Petersburg's turbulent political and criminal scene. Local elections scheduled for next month have already been marred by foul play. The city is a battleground of organized crime in a competition to control municipal resources. Politicians and



The body of the murdered politician Galina Starovoitova lying in state.

gangsters alike have been targeted; five contract killings have occurred in the past two months, the police say. In the middle of all this, Miss Starovoitova tried to put together a unified list of liberal candidates who pledged to fight crime.

Mourners among St. Petersburg's common citizens clutched carnations and expressed a sense of helplessness. No one seemed to think that the killers would be found.

Miss Starovoitova's democratic activism began during the era of perestroika under former President Mikhail Gorbachev. Unlike him, however, she

pressed ahead even as the Soviet Union showed signs of breaking up. She was an associate of Andrei Sakharov, the dissident physicist who was widely regarded as the moral voice of change in the Soviet Union.

She supported Mr. Yeltsin's drive for power and served him as a minister in charge of ethnic affairs. He dismissed her in 1993 because she objected to the use of Russian troops on one side of an ethnic conflict in Russia's Caucasus region. Later, she opposed the war in Chechnya and campaigned avidly for human rights.

BRITAIN: No More 'Silver Stick'

Continued from Page 1

Included in the speech was the government's resolve to force passage of new voting procedures for elections to the European Parliament, a measure the House of Lords sent back to House of Commons five times this month in an unprecedented act of defiance.

Prime Minister Tony Blair called the lords' performance an "affront to democracy."

The peers, who have the power to delay but not defeat legislation that has passed the House of Commons, could still stall the European elections bill for weeks with amendments.

They then could tie up Parliament with objections to the bill to banish the hereditary members and thereby deny the government time to pass its other priority bills dealing with health and education.

There is no widespread public opposition to abolishing the voting rights of hereditary peers, the 759 members of the House of Lords whose titles, some dating to the Norman conquest, are passed down from generation to generation. But there is concern over Labour's failure to produce a plan for what will replace them.

In the Queen's Speech, the government assigned the job to a royal commission, a step as inconclusive and unconvincing in Britain as referring problems to task-force studies is in many other countries.

Once the hereditary peers are gone, the House of Lords will be made up of 512 life peers and 26 archbishops and bishops known as Lords Spiritual. With that action, the government would change a body with 13 Labour and 476 Conservative members to one with 13 Labour and 476 Conservative members. Opponents fear that with no Conservatives, the government could agree-upon plan in place, the government could quickly stack the new body with its sympathizers and end up with a reform that simply exchanges an unelected House of Lords with a Conservative



The queen reading her speech on Tuesday.

dominance for an unelected one with a built-in Labour bias.

As the pageant unfolded Tuesday, its slimmer dimensions were not immediately noticeable, a reminder that regal reform moves at a stately pace. The reduction in the number of attendants to the queen — 37 from 51 — was barely noticeable, but even if the Silver Stick in Waiting was gone, the Gold Stick in Waiting remained.

Though Black Rod, dressed shoulder to stocking feet in black, no longer marched in the procession, he went through his traditional pantomime of knocking loudly on the door to the House of Commons with his gold lion's-head-topped ebony stick after the door had been shut in his face to the symbolic act representing Parliament's independence from the crown.

RENO: Attorney General Declines to Widen Inquiry

Continued from Page 1

ident Bill Clinton used certain Democratic Party funds for advertisements to promote his candidacy, in contravention of federal election law.

That decision could affect the impeachment inquiry against Mr. Clinton in the House Judiciary Committee, possibly energizing advocates of impeachment. Some Republican committee members want their inquiry, which is focused on the Lewinsky scandal, to include campaign finance. Others, however, hope to conclude the process quickly.

No president has been investigated by two special counsels under the law inspired by the Watergate affair in 1974.

At issue in the Gore case was a relatively narrow question: Mr. Gore had admitted making 45 fund-raising telephone calls from the White House in 1993 and 1996, but had told FBI investigators that he thought the money was earmarked for the party's "soft money" accounts, to promote voter education and registration, not individual candidates.

Last December, Ms. Reno decided not to seek an independent counsel, saying the federal prohibition on fund-raising from federal property applied only to the federally regulated donations known as "hard money," which can be spent to promote individual candidates.

Months later it emerged that the Democratic National Committee had shifted some of the moneys Mr. Gore had raised into hard-money accounts, and Mr. Gore, according to notes taken by a staff member, had attended a meeting where that fact apparently was discussed.

Ms. Reno had to decide whether Mr. Gore knowingly made false statements.

For more than a year, Republican critics of the administration have pressed Ms. Reno to name independent counsels to examine campaign fund-raising by the administration. Since January, however, the Lewinsky scandal had diverted the nation's attention.

The preliminary Clinton investigation involved

so-called issue advertisements aired by the Democratic National Committee during the 1996 campaign. Because the party paid for them largely with unregulated soft money, the ads could espouse Mr. Clinton's views but not his candidacy — a fine distinction that has been sharply debated.

Mr. Clinton told Justice Department investigators this month that lawyers had assured him and his advisers that the ads were legal, and that he had no intent to break the law. His lawyers say that in the absence of proven intent, he cannot be held responsible for any violation of the election law.

Both parties still use the issue ads in question. Fund-raising practices in the 2000 elections are thus likely to be influenced by Ms. Reno's finding.

On Nov. 30, she faces still another deadline. She must decide to seek a special counsel to investigate allegations that Harold Ickes, a former White House deputy chief of staff, lied to congressional investigators when he denied having helped the Teamsters union with a labor dispute because of the union's substantial campaign contributions.

Clinton Hails Decision

The White House spokesman, Joe Lockhart, said Mr. Clinton "believes the vice president has always acted within the letter and the spirit of the law and that the news of today indicates this." The Associated Press reported from Washington.

Ms. Reno said handwritten notes, by a Gore aide about a November 1995 meeting that Mr. Gore attended, "are not sufficient alone to warrant a conclusion that the vice president made a false statement" last year about his understanding of how contributions he raised by telephone calls from his office would be allocated.

Interviews with other participants demonstrated Mr. Gore was present and at some point the Democratic media fund and the allocation of contributions between so-called soft and hard money accounts was discussed, Ms. Reno said. "No attendees recall any particular questions or comments by the vice president," Ms. Reno wrote.

Yeltsin Stable Though Still Hospitalized

Compiled for the Staff From Physicians

MOSCOW — President Boris Yeltsin showed no signs of improvement Tuesday from the pneumonia that hospitalized him, though his condition was stable, the chief spokesman at the Kremlin said.

The spokesman, Dmitri Yakushkin, said that Mr. Yeltsin, 67, was in the same condition as Monday, when he was forced to host a summit with President Jiang Zemin of China from his hospital suite.

"You understand that having pneumonia really cannot be a normal condition," Mr. Yakushkin said. "But his temperature today is normal. His condition is stable, no better nor worse" than on Monday.

"Yeltsin will stay in hospital for as long as it takes to complete his treatment," Mr. Yakushkin said. "For now doctors have not given a date when he could be released."

On Monday, the Kremlin said Mr. Yeltsin would likely stay in hospital for around 10 days.

Doctors have ordered Mr. Yeltsin to rest and spend part of the day in bed, though he is up and about for some of the time. Mr. Yakushkin said. He met no officials on Tuesday though meetings could resume in the future, the spokesman said.

Aides have said Mr. Yeltsin would likely cancel other meetings with foreign visitors this month, but he is still expected to meet Russian officials at the hospital.

Mr. Yeltsin, 67, was suddenly hospitalized with a high temperature Sunday, his third ailment in recent weeks, reviving worries about his ability to run a vast country deep in economic crisis.

Mr. Yeltsin has insisted repeatedly that he will serve out his term, which ends in the year 2000. Under the Russian constitution, the prime minister takes over for three months if the president dies or is incapacitated.

In television footage of his meeting with Mr. Jiang, Mr. Yeltsin was chuckling and wearing a sweater and did not look very ill.

The Russian president has rarely been seen in public recently, and the Kremlin has allowed limited television coverage of him, fueling speculation that he is seriously sick.

He fell ill twice in October. Doctors described the first as a respiratory ailment and the second as high blood pressure and exhaustion. Since then, the Kremlin appears to be taking few chances with the president's health.

"His doctors were not delighted that he decided to meet Jiang," Mr. Yakushkin said. (AFP, AP)

INTERNATIONAL

For Quebecers, Pivotal Election

Victory for Liberal Party Could End Separatists' Campaign

By Anthony DePalma
New York Times Service

IONQUERE, Quebec — Both men left the confines of Quebec for federal politics years ago. Both served in the cabinet of Prime Minister Brian Mulroney. Both later switched parties and both have come home to fight for the future of Canada's French-speaking province.

But whatever similarities once existed between them have faded. Lucien Bouchard, the premier of Quebec, and Jean Charest, leader of the province's Liberal Party, are now locked in a do-or-die election Monday that will decide, to a large extent, whether Quebec's long flirtation with secession will succeed at last.

Mr. Bouchard has promised that if his Parti Quebecois is re-elected he will hold a third referendum on separation, probably by 2001. The last referendum, in 1995, fell just 50,000 votes short of authorizing Quebec to negotiate its way out of Canada.

Mr. Charest says there will be no referendum if he is premier. Many

political analysts say that could take away the separatists' last opportunity to win, because passion for independence is waning. The continuing exodus of English speakers is largely offset by the declining local birthrate, and the large influx of immigrants tends to vote against secession.

"If Quebec hasn't solved this problem in the next few years, said Alain Dubuc, chief editorial writer for La Presse, a Montreal daily newspaper, "completely different rules will apply."

Mr. Bouchard, 59, is a passionate separatist. He is a francophone as independent as is Jonquiere, a rugged area on the fierce Saguenay River, about 180 kilometers (110 miles) north of the city of Quebec.

Quebecers proudly consider the area their frontier. It is a place of oversized dimensions — of huge aluminum smelters, prodigious paper mills and uncontainable ambition for Quebec independence — all reflected in the fiery character of Mr. Bouchard.

He is determined to carry Quebec to what he sees as its destiny as an independent, French-speaking nation

in North America. Mr. Charest, 40, is a federalist who is as comfortably bilingual as is Sherbrooke, his home in the Eastern Townships near the Vermont-New Hampshire border.

It is a place where English- and French-speaking families have long lived side by side, a place so accommodating that English street signs include French footnotes, like Rue Wellington, "General Britannique, 1769-1852."

Mr. Charest was leader of the federal Progressive Conservative Party before being drafted by supporters to take on Mr. Bouchard and vanquish the separatist threat. He has staked his promising political career on the crusade to keep Quebec in Canada.

If Quebec were to vote for secession, a complicated series of negotiations would follow to settle such questions as the province's share of the national debt and compensation for federal properties.

There would also be a bitter fight over what to do with areas of the province that do not want to leave Canada, particularly northern lands that are home to Cree Indians who



The candidate of the Parti Quebecois, Premier Lucien Bouchard, hugging his wife, Audrey, at a campaign rally in Quebec City.

have voted overwhelmingly against separation.

So far, opinion polls have the Liberals and the Parti Quebecois running just about even, with the separatists recently pulling slightly ahead.

Under Quebec's parliamentary system, Mr. Bouchard and Mr. Charest run in their local districts, but as party leader either automatically becomes premier if his party

gains a majority. English-speaking Quebecers are bunched in Montreal and the Eastern Townships.

If current trends continue, the Liberals will not win the majority of legislative seats that they need to form the next government.

Jean-Marc Leger, president of Leger & Leger, a Montreal polling company, said a Charest victory would turn demographics against the separatists.

But he expects Mr. Bouchard to win, and he said the margin of victory would affect the timetable for a referendum.

"If Bouchard gets 45, 46 percent of the vote, I'm not sure he would try a referendum," Mr. Leger said. "But if he gets 48, 49 percent, he would hold one for sure. If he gets more than 50 percent, and it's possible, he will have a referendum within six months."

Mr. Charest concedes nothing. "This is a campaign, period," he said. "We're in a battle, period. And in the best sense of the word, it's democracy at work, and we are going to win."

Mr. Bouchard, bolstered by the polls, has assumed an air of confidence. "The only true solution for Quebec," he said, "is Quebec sovereignty."

Group in Iran Says It Battered Americans' Bus

Compiled by Our Staff From Tehran

TEHRAN — An Iranian group naming itself after Islamic extremists known for political assassinations said it was behind an attack in Tehran on a bus carrying U.S. citizens and other foreigners, newspapers reported Tuesday.

The Hamshahri newspaper said a group called Devotees of Islam had taken responsibility in a letter for the attack "on the convoy of Americans who had traveled to Tehran." Other newspapers carried similar reports.

Islamic militants chanting "Death to America" used clubs and metal bars on Saturday to smash the windows of a bus carrying a group

of 13 foreigners, including U.S. citizens, after hard-line newspapers accused them of being spies. None of the occupants was hurt, and the Americans cut short their trip.

The attack was condemned by Iranian officials, who said the visit by the foreigners was not political. "This kind of behavior is unacceptable," Iran News quoted the deputy interior minister, Mostafa Tajzadeh, as saying Tuesday. He added, "Any person who has entered the country legally is entitled to protection."

Hamshahri quoted the group as saying that its "limited operation" was a warning to officials and to Americans, "including CIA spies

who held talks with the officials under the guise of tourists."

Iranian newspapers said this month that the group threatened suicide attacks against former U.S. hostages if they visited Iran. Students supporting President Mohammad Khatami, a moderate, had suggested the hostages return to Iran as guests.

The U.S. State Department said Monday it wanted to encourage contacts between Iranians and Americans despite the attack. (Reuters, AP)

■ Albright's Initiative

Secretary of State Madeleine Albright, in a new move aimed at im-

proving ties, has recommended that President Bill Clinton remove Iran from the U.S. list of major illicit drug-producing countries, Reuters reported from Washington, quoting a senior U.S. official.

The official said a new U.S. survey has concluded that Iran has eradicated much of its illicit poppy cultivation and thus it "no longer meets the statutory justification" for inclusion on the U.S. list.

The official said it was hoped Iran would see the decision as evidence that the United States made judgments on the basis of facts and "they are not based on some preordained desire to isolate Iran."

BRIEFLY

Kazakh Supreme Court Bars President's Rival From Election

ASTANA, Kazakhstan — President Nursultan Nazarbayev's chances of re-election next year were given a huge boost Tuesday when the country's Supreme Court upheld a ruling barring his most serious rival from challenging him.

The decision appeared to dash all hopes that former Prime Minister Akezhan Kazhegeldin had of running for the leadership. He was held in contempt of court last week for failing to answer charges that he had attended an illegal political meeting.

"The decision of the court is final and cannot be subjected to an appeal," Judge Ludmila Polokhina said. (Reuters)

Farmer in Euthanasia Case Gets More Jail Time in Canada

TORONTO — An appeals court has overturned a light sentence in a mercy-killing case and ruled that a farmer in Saskatchewan, Robert Latimer, must serve at least 10 years in prison for killing his 12-year-old daughter, Tracy.

The tougher sentence reopened one of the most passionately argued issues in Canada and made it likely that the Supreme Court would be put in the position of deciding difficult right-to-die issues.

After Mr. Latimer's conviction a year ago, groups representing the disabled and handicapped were outraged at the two-year sentence he had received for killing his daughter, who had a severe but not terminal case of cerebral palsy. (NYT)

UN Fears Congo 'Catastrophe'

NAIROBI — A United Nations commission warned that the conflict in the Congo is headed toward a "catastrophe of incalculable consequences," claiming that Hutu soldiers driven from Rwanda after the genocide there in 1994 are fighting on the side of the Congolese government.

The report provides the latest glimpse of what has until recently been a murky picture of exactly who is fighting in the former Zaire.

This month, Rwanda and Uganda admitted, after months of denials, that they were aiding rebels in eastern Congo in their attempt to overthrow President Laurent Kabila, who came to power in May 1997.

Rwanda and Uganda in turn charged that Hutu soldiers were fighting on the side of Mr. Kabila. He has denied it, but the report by the UN Commission of Inquiry contends that the Hutu soldiers have become significant players in the conflict. (NYT)

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INTERNATIONAL

Attack on Saddam Aide Turns Attention to Foes

But Dissident Groups Deny Any Involvement

By John Daniszewski
and Marjorie Miller
Los Angeles Times Service

CAIRO — The attack in the Iraqi city of Karbala against the highest-ranking deputy to President Saddam Hussein was the most serious assault on a senior regime figure in Iraq since the attempt on the life of the president's son, Uday, in December 1996.

The deputy, Izzat Ibrahim, escaped assassination from two grenades that were hurled at him from his car during a visit to a Shiite Muslim holy site in Karbala during the weekend, Iraqi media reported Monday.

A vice chairman of the Revolutionary Command Council, Mr. Ibrahim is the No. 2 figure in the Iraqi hierarchy. According to news reports, Mr. Ibrahim was not wounded, but his bodyguards and several civilians were hurt.

The attack occurred at an extremely sensitive moment for the Iraqi government, which is still bracing for a possible U.S. military strike in a dispute over cooperation with United Nations arms inspectors. That may explain why state media waited nearly 36 hours to make the attack public.

Although unsuccessful, the attack was "a clear signal the opposition is deep inside Iraq, even around the inner circle," said Hamid Bayat, the London representative of the Supreme Council for Islamic Revolution in Iraq, the main Shiite opposition to the Iraqi regime.

He said that the attempt would undermine Mr. Saddam's rule. "A regime that can't protect its people can't control the country," he said.

Mr. Ibrahim went to Karbala for a ceremony marking the birthday of Imam Hussein, a seventh-century Shiite martyr who is particularly venerated by Shiite Muslims. The attack took place at 10:20 A.M. Sunday near the imam's mausoleum, a hallowed pilgrimage site for Shiites from Iraq, Iran and Lebanon, and therefore nearly always crowded with faithful.

Mr. Ibrahim, who has been Mr. Sad-

dam's deputy since the Iraqi leader took over as president in 1979, was reportedly able to go ahead with his planned speech, delivered on behalf of the president.

There were no immediate claims of responsibility. But the fact that the attack occurred in Karbala suggested that the assailants may have been Shiite Muslims.

Karbala, 100 kilometers (60 miles) south of Baghdad, was the scene of fighting in March 1991 when Iraqi Republican Guards crushed a Shiite uprising in the aftermath of the Gulf War.

Opposition figures claim that hundreds, or even thousands, of people were killed around the city's central mosque. Many buildings were leveled in intense fighting, and reconstruction was completed only a few years ago.

Given such a history, Karbala is "not a city where representatives of the regime are welcome," said Nabil Musawi, an official in London of the Iraqi National Congress, an umbrella organization for those seeking to overthrow Mr. Saddam.

Opposition groups in London denied that they were responsible for the attempt on Mr. Ibrahim. Mr. Musawi said his group considers such efforts "irrelevant" because "unless you can get to Saddam Hussein, the rest are puppets."

He dismissed Mr. Ibrahim — who is also deputy commander of the armed forces — as "Saddam's shoe."

"If this does anything, it reflects that the security system is not as tight as Saddam would like us to believe."

The Iraqi opposition, in exile for years, has been struggling to mount a credible threat to the regime. But it has been hampered by its own disunity and by the hot-and-cold nature of the support it has received from the West.

Baghdad Plays Down Attack

Iraq sought Tuesday to shake off the shock of the abortive attempt to assassinate Mr. Ibrahim. Reuters reported



OATH OF OFFICE — General Emile Lahoud, being sworn in as the new president of Lebanon before Parliament in Beirut on Tuesday with Nabil Berri, the Parliament speaker, at his side. General Lahoud, former armed forces chief, pledged to battle corruption.

from Baghdad. Only two of Iraq's state-controlled newspapers put Sunday's attack on their front pages, burying it in brief stories that struck to the account put out by the official Iraqi press agency, INA.

In another show of unconcern, Deputy Prime Minister Tariq Aziz appeared at a poetry festival in Baghdad on Tuesday, though security was as tight as usual.

Mr. Ibrahim's public responsibilities are focused on the ruling Arab Ba'ath Socialist Party affairs and the economy. He often tours the country as part of a campaign to promote agricultural output to make Iraq more able to feed its 22 million people, many of whom are suffering the hardships of UN sanctions.

"He is among a small group that sits around and decides what to do, though the final decision is always Saddam's," said a diplomat in contact with the Iraqi leadership.

Iraqi newspapers carried an appeal to citizens from the Public Security Directorate for information on a man it

said had carried out a "cowardly crime that targeted the lives of citizens."

They printed photographs of a bearded man, apparently in his 20s, and gave telephone numbers for people to call if they knew his name, home town or work.

The appeal made no explicit reference to the attack on Mr. Ibrahim.

Britain's junior foreign minister, Derek Fatchett, hosting members of 16 diverse Iraqi opposition groups in London on Monday, asked them to bury their differences and devise a plan to revitalize their efforts to overthrow the Iraqi leader.

Britain has ruled out giving them guns or money now, but President Bill Clinton last month signed an act permitting \$92 million to be spent on military aid for Mr. Saddam's foes.

Despite the attack on Mr. Ibrahim, Baghdad-based diplomats say dissident groups pose little or no threat to Mr. Saddam. "The Iraqi opposition has proved itself incapable," an Asian envoy said.

Defiant Iraq: U.S. Takes A Wait-and-See Position

By John M. Goshko
Washington Post Service

UNITED NATIONS, New York — The United States will not respond with force to Iraq's latest defiance of UN weapons inspectors but will assess Baghdad's overall record of cooperation in the coming days before deciding whether to revive the threat of air strikes, U.S. diplomats say.

The diplomats said the strategy had been decided upon by the Clinton administration after Iraq's refusal Friday to turn over documents about its biological, chemical and missile programs requested by the UN Special Commission. The commission is charged with eliminating prohibited Iraqi weapons systems.

Baghdad's refusal came less than a week after President Bill Clinton put on hold the use of force in exchange for Iraqi assurances of renewed cooperation with UN commission, known as Unscorn.

But Mr. Clinton warned that the threat of air strikes could be renewed if Iraq failed to comply fully with UN Security Council resolutions calling for its disarmament.

"We are not going to get bogged down at this time in a dispute about these documents," a U.S. official said.

"We want to see first what Unscorn gets from Iraq in the way of cooperation. We're not sure how long we might wait, as there is a fine line to be walked in putting up with Iraq's challenges. But we think that for the time being, forbearance is the wiser course."

In Washington, Secretary of State Madeleine Albright hinted at this course in less explicit terms. Asked how much time the United States would give Iraq, she said Monday that it was "not a matter of a deadline."

"It's a matter of coming forward with what is necessary to show they are cooperating," she said.

Defense Secretary William Cohen said that the United States had enough planes and missiles massed in the Gulf region to strike Iraq at any time. He added that Iraq's willingness to hand

over the documents sought by the UN commission would be an important factor in ensuring Iraqi disarmament.

But Mr. Cohen added, "I think a lot of questions have to be asked and answered before there can be any resolution as to whether or not they are — quote — cooperating."

These comments, and the more detailed background remarks of other officials, sounded similar to the approach taken by Washington in August when President Saddam Hussein's government triggered a confrontation with the United Nations by suspending most of its cooperation with the UN Special Commission.

Unlike earlier incidents when the United States instantly threatened military retaliation, Washington on that occasion refused to discuss air strikes. It was not until Oct. 30, when Iraq escalated the confrontation by severing its last links with the commission, that Mr. Clinton dusted off the threat of force and ordered a U.S. military buildup in the Gulf.

Some officials acknowledged that the mixed signals sent by the U.S. response in August had raised questions about the administration's resolve.

But, as one official said, "it also paid off in terms of convincing other countries that we weren't rushing to bomb Iraq injudiciously, and when we were ready to move, that gave us a lot more backing internationally than we had earlier."

Russia Criticizes Western Policy

The Russian Foreign Ministry criticized Western governments on Tuesday over efforts, announced by Britain and the United States, to remove Mr. Saddam from power, Reuters reported from Moscow.

Iraq's leadership is a matter for the Iraqi people, a spokesman for the ministry said.

Both Washington and London have said recently they were looking forward to an Iraq without Mr. Saddam. Both governments vowed to work with exiled Iraqi dissidents to improve the chances of removing him.

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Members of the Paris Opera Ballet in Odile Duboc's new production of Gershwin's "Rhapsody in Blue."

A Gershwin Rhapsody in Ballet

By David Stevens
International Herald Tribune

PARIS — George Gershwin did not write any music for ballet, not counting random dance elements in his Broadway musicals, but plenty of choreographers have used his music for their own purposes. George Balanchine set "Who Cares?" to several of the composer's songs. Gene Kelly used the Coccodrillo in F for "Pas de Deux" for the Paris Opera Ballet almost four decades ago, and any number of dance creators have appropriated "Rhapsody in Blue."

Now, marking the centennial of the composer's birth, the "Rhapsody" is the centerpiece of a new program by the Paris Opera Ballet, one of the choreographers who have contributed to the boom in French contemporary dance in the last 20 years.

The ballet opens with a prologue with

the dancers, in blue costumes, moving to a soaped backdrop of urban noises. When the music begins, the big city atmosphere is reinforced by Yves Le Jeune's scenic elements — a backdrop, aerial view of Manhattan and large pieces suggesting glass and steel buildings and viaducts. Dominique Fabre's costumes for the 14 dancers had different patterns of black and white stripes — suggestive perhaps of the color scheme of a keyboard.

Carole Arbo and Kader Belarbi were handsome in the solo roles, but the choreography, while attractive, was on the thin side. More interesting was the musical side, which used the original jazz band setting, rather than the symphonic version usually heard. Christine Lagniel was the adept soloist and Guillaume Tourniaire made a lively company debut as the evening's conductor.

The program did no favor to Duboc by placing her Gershwin choreography between powerful works by Martha

Graham and Pina Bausch. One of the Graham works was also new for the company, but anyone who came more than three minutes late missed it.

"Lamentation," which dates from 1930, is a very brief and expressive solo for a seated woman, her body encased in a kind of jersey tube, expressing the lamenting of the title entirely with movements of her torso, accompanied by a brief Zoltan Kodaly piano piece. Fanny Gaïda was the diligent soloist.

The program was completed by two works already in the company's repertoire. Graham's "Temptations of the Moon" (1986), a moon ritual inspired by Stonehenge and set to Bartok's "Dance Suite," had Agnes Letestu and Jose Martinez in the principal roles.

Bausch's powerful reading of "Rite of Spring" brought the evening to a knockout finish, with Mireki Kodo and Wilfried Romoli in the principal roles and Tourniaire getting full value from Stravinsky's elemental score.

BOOKS

MASTER GEORGIE

By Beryl Bainbridge.
Illustrated, 190 pages.
\$21. Carroll & Graft.
Reviewed by Christopher
Lehmann-Haupt

"I INTEND to survive," announces Pompey Jones as he goes into a climactic battle of the Crimean War, near the end of Beryl Bainbridge's remarkable new novel, "Master Georgie," just beaten out for this year's Booker Prize.

One of the novel's three narrators, Pompey is a cynical opportunist. As a child, he used to steal things from people and then return them for rewards; and as an adult, his skills as an operator have ripened. Throughout most of the novel, you believe that if he does survive the war, it will be precisely because of his disloyalty and amoral ways. But such is the horror and random violence of Bainbridge's ending that you come to believe that survival is purely a matter of chance. Issues of character come to seem irrelevant. All sense of order is overwhelmed.

How has Bainbridge achieved this effect? Throughout her first dozen or so novels — among them, "The Bottle Factory Outing," "Young Adolf" and "An Awfully Big Adventure" — she was often

preoccupied with the role of violent accident. As she once explained in an interview, since she used her own experience as material for her fiction, and since "one's own life, while being lived, seems to have no obvious plot and is therefore without tension," the introduction of an "accidental death" creates "a strong narrative line."

In her more recent novels, having "used up my childhood," as she put it, she has turned to historical fiction, using Robert Falcon Scott's disastrous race to the South Pole in her 14th novel, "The Birthday Boys," and the sinking of the Titanic in her 15th, "Every Man for Himself." These broader canvases have served to heighten the significance of the tension between chance and necessity.

Now, in "Master Georgie," the possibility that anyone can exert any control over fate is put to the test. At the start of the story, it seems that only fate matters, if fate can be said to depend on character. For Bainbridge appears at first to care only about character. In a tour de force of compressed plotting, she introduces us to her two other narrators, who along with Pompey relate the six chapters that make up "Master Georgie." These are Myrtle, a 12-year-old orphan taken in by the Hardys, a

lower-middle-class Liverpool Victorian family, because one of the Hardy daughters wants a pet, and Dr. Potter, a sentimental geologist who eventually marries another of the Hardy children.

Both Myrtle, named after the street where the orphanage she was destined for stands, and Dr. Potter are in thrall to the Hardys' son, George, a surgeon tortured by guilt over his homosexual urges.

In the novel's opening section, Myrtle describes how Master Georgie happened to discover his father dead in a prostitute's bed and the consequences this has for the Hardy family's future.

The marvelous trick Bainbridge pulls off is that she tells her story so elliptically that you have to pay attention to her every word. No conversation is wasted. Nothing is described merely to illustrate. For instance, as the story develops, you begin to suspect that Myrtle is somehow connected to Master Georgie's children, but you don't know how or why. Then, during a concert they attend together, he reaches for her hand, and she comments to the reader, "He doesn't drink any more, so I was startled." You really don't need to be told anything more.

The incidents thus described are by turns funny and appalling. But their development is easy to miss, and the need to pay such close attention creates the illusion that the characters possess autonomy and that their behavior is relevant to their fates. Yet when their actions gradually lead them into the Crimean War, what happens to them is so horrifyingly random and meaningless that chance seems all that matters. Their helplessness mirrors the incompetence of the military leaders who created so much unnecessary suffering during the war, including Lord Raglan, responsible for the catastrophic charge of the Light Brigade.

As Pompey puts it in the heat of the Battle of Inkerman: "I didn't know what cause I was promoting, or why it was imperative to kill, though I reckon Potter could have told me."

When ordered to defend the regimental colors, he concludes: "In my head I questioned the necessity of coming to the aid of a tattered square of silk, but I did as I was bid. I'd turned into a circus animal and would have jumped through hoops if called upon."

Both Master Georgie and Pompey Jones are also photographers, and their art plays an important role in Bainbridge's novel. Each of its six chapters is named after a photograph taken in the course of its action, and each of these photographs comments grimly on the action's meaning.

In the bitterest one of all, a photographer poses a group of survivors of the Battle of Inkerman "to show the folks back home." When the composition doesn't seem right, he calls for another soldier, but all that is available is a corpse, whose inclusion doesn't prevent the photographer from ordering the group, "Smile, boys, smile."

Dr. Potter, the intellectual, reflects on photography that "there is something of black magic" about it, "in that it stops time," but while "it appears to hold reality hostage," it "fails to snap thoughts in the head." He concludes: "A man can be standing there, face expressive of grief, and inside be full of either mirth or lust. The lens is powerless to catch the interior turmoil boiling within the skull."

In that respect, the camera is like Bainbridge's vision of warfare in "Master Georgie." The battle is powerless to catch whatever is boiling within the human skull, her novel seems to be saying. More significantly, as "Master Georgie" movingly conveys, the battle really doesn't care.

New York Times Service

BEST SELLERS

The New York Times		
This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on the list are not necessarily consecutive.		
FICTION		
Title	Author	Weeks on list
1 A MAN IN FULL, by Tom Wolfe	1	1
2 WHEN THE WIND BLOWS, by James Patterson	6	2
3 THE PATH OF DAGGERS, by Robert Jordan	1	3
4 THE VAMPIRE ARMAND, by Anne Rice	2	4
5 ALL THROUGH THE NIGHT, by Mary Higgins Clark	4	4
6 THE POISONWOOD BIBLE, by Barbara Kingsolver	5	4
7 BAG OF BONES, by Stephen King	3	7
8 MIRROR IMAGE, by Danielle Steel	1	1
9 THE HAMMER OF EDEN, by Ken Follet	7	3
10 WELCOME TO THE WORLD, BABY GIRL, by Fannie Flagg	9	7
11 RAINBOW SIX, by Tom Clancy	8	14
12 MEMOIRS OF A GEISHA, by Armin Greder	10	52
13 THE LOCKET, by Richard Paul Evans	14	4
14 THE PRESENT, by Johanna Lindsey	13	2
15 TODAY I FEEL SILLY & OTHER MOODS THAT MAKE MY DAY, by Jane Lee Curtis	15	3
NONFICTION		
1 TUESDAYS WITH MORRIE, by Mitch Albom	1	57
2 FOR THE LOVE OF THE GAME, by Michael Jordan	2	2
3 THE DEATH OF OUTRAGE, by William J. Bennett	5	11
4 THE TEN COMMANDMENTS, by Laura Segalinger and Stewart Martin	4	9
5 AND THE HORSE HE RODE IN ON, by James Carville	6	3
6 THE PROFESSOR AND THE MADMAN, by Simon Winchester	3	8
7 LINDBERGH, by A. Scott Berg	8	7
8 SHAKESPEARE: The Invention of the Human, by Harold Bloom	12	2
9 WORKING WITH EMOTIONAL INTELLIGENCE, by Daniel Goleman	9	5
10 PURE DRIVE, by Steve Martin	11	6
11 CONVERSATIONS WITH GOD: Book 1, by Neale Donald Walsch	15	101
12 A WALK IN THE WOODS, by Bill Bryson	23	2
13 A PIRATE LOOKS AT THE PIRATE, by Larry Green	22	2
14 OAVE BARRY TURNS 50, by Dave Barry	7	4
15 VALLES OF THE GAME, by Bill Bradley	1	1
ADVICE, HOW-TO AND MISCELLANEOUS		
1 SOMETHING MORE, by Seth G. Williams	2	4
2 THE GREAT CANCER PREVENTION DIET, by Robert Aron	1	3
3 SUGAR BUSTERS! by H. Leighton Stewart et al.	26	2
4 THE 9 STEPS TO FINANCIAL FREEDOM, by Sue O'Hara	4	33

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The Creation Of a Culture

Forging an Artistic Identity From Singapore's Melting Pot

By Katherine Knorr
International Herald Tribune

SINGAPORE — "Upgrade" is a theme word in Singapore. All around the island are big signs announcing that this or that government housing estate is being "upgraded", shopping malls half-closed for repairs and forgiveness of visitors during the "upgrade," and "upgrading" is what the government wants to do with its small and often insular art scene.

This city-state embarked a few years ago on a campaign to make itself into a "world-class" cultural center, creating museums, giving space and time to its artists and its writers, and generally promoting itself as a regional magnet.

Many part of the Singaporean cultural scene has shown that it might possess some of the talent and the will to draw serious international attention, it is the English-language theater. Local theater troupes are energetic, and particularly sensitive to the need for a larger stage, some have traveled to Europe and the United States, and won international grants.

Still, the relative success of these groups also demonstrates the deep difficulties faced by the arts community when a government geared to making the streets safe for business suddenly says, let's think culture.

No one in the arts scene is likely to be against subsidies and other help extended for performance or exhibition space, but government benevolence combined with the perceived threat of government censorship means that the artistic community operates in a curious vacuum where it sometimes seems that artists pretend to be rebels and the government pretends to be old and then forgives these bohemian bad boys.

The successes and strains in the arts also underline the deep ethnic tensions in Singapore, the very tensions that the government works so hard to keep under control. For, in many ways, Singaporean theater asks, what does it mean to be Singaporean? And indeed what does it mean today to be Asian?

"It began with people who were very interested in finding out, who is a Singaporean, what is a Singaporean theater," said Ong Keng Sen, artistic director of the avant-garde group TheatreWorks, which two years ago made international headlines when it put on a play about the Michael Fay flogging controversy that never mentioned him by name, but looked at the clash between "Western" and "Asian" values.

"For a long time we were stuck in language, meaning what is the mother tongue, like Chinese, Malay, Indian theater?" Ong said. "Is it English? Again, a specific brand of English? There is this term, Singaporean English, Singlish, and what kind of Singlish, because there are different gradations."

"What Singapore is doing is contemporary theater with an Asian flavor," said Ekkehard Uekroth, the Thai artistic director of Action Theatre, which recently took one of its productions to New York, "and sometimes a lot of things that we're doing have got a fusion of Eastern and Western elements."

And Tony Petito, departing artistic director of the Singapore Repertory Theatre and an American, said: "The whole idea of New Asia now is the whole melting of a world culture in which Western influences are as much part of this culture as Asian influences. There's no such thing as traditional Chinese or Indian or Malay culture here in Singapore. It has always been a melting pot, it has always had Western influences."

"The problem here in Singapore," Petito added, "is that because it's such a small space, with 3 million people, we were doing the original play to death. The caliber of the writing isn't very good. It's like doing a play about Dubuque. I mean, how many plays can you do about Dubuque? What we're trying to do is to get Singaporeans to look out more, if not to the entire world, at least to Asia as a region."

Singapore Repertory Theatre, which has over the years done a mix of local productions and imported ones, started a playwriting competition this year for the best play from anywhere in the world that addresses the question of Asian identity (the IHT is a sponsor of the competition). The winner will be announced next year, and staged by SRT.

Singapore's theater companies have very different philosophies and problems, from the fund-raising difficulties made worse by the Asian financial crisis, to the difficulties in booking very limited performance space. Their goals are different, too: If TheatreWorks stages difficult conceptual mixes of performance art, dance and theater (a "Lear" where the title character was played by a Noh actor and all the performers spoke in their own language), Action Theatre is better known for musicals and entertaining social satire.

Nevertheless, there are similarities. Singaporean theater, in its attempts to fuse East and West, is torn between a desire to find "roots" and a resistance to the "exoticism" that seems to appeal to the West. The local theater is also torn between the desire artists have to express themselves and the desire of the government, which subsidizes local troupes in various ways, to



A scene from Action Theatre's production of "Chang & Eng—the Musical."

make the arts pay off, as a tourist draw. This is complicated by Singapore's restrictions on content and form.

Just what "freedom of expression" in the arts means is tricky, and celebrated cases in the West show that there can be very different opinions about whether being "transgressive" at any cost (and, so, pornographic or otherwise deliberately shocking) is proof of an artistic vocation.

When artists or would-be artists in Singapore talk about government involvement in the arts, and in particular about government watchfulness, they tend to use the word "negotiation." What it comes down to is self-censorship, helped by the highly acute antennae developed by people who take big risks if they stage something that upsets the authorities.

There is talk among people in the artistic community that the government is more open now, that officials realize it doesn't look good to be too authoritarian, and that many "shocking" works are performed for such small audiences that they're unlikely to endanger the carefully woven fabric of Singaporean society.

Goh Ching Lee of the government's National Arts Council, when asked about censorship, pointed to the government's allowing most of the theater companies to go without official script approval, and to its tolerance, among other things, for TheatreWorks' "Descendants of the Eunuch Admiral."

"I speak in allegories and metaphors," said Ong of "Descendants," which it took to Hamburg and Berlin last August. "It's very, very subtly critical of what happens in Singapore. If you want to belong you have to castrate yourself, you have to lose a part of yourself."

Uekroth said: "Personally, I've found I have always been able to address issues I wanted to talk about without too much interference. I mean in the early days, of course there are incidents that happen along the way. I think it's a negotiation process between the artist and the state."

The atmosphere "has prevented anybody from doing anything that I would say is really cutting edge or challenging," said Petito. "The government has been very open about saying there is no censorship, we do not have to send our scripts. The line is somewhere and we don't know where that line is, and nobody's going to tell us where that line is. But if we cross that line, the sky will fall in."

In some sense Singapore shows in microcosm all the problems associated with government involvement in the arts: Can an art scene be created by fiat? Can you will yourself a Picasso or a Chekhov? And, in the case of Singapore, can you will that in such a tightly controlled society?

"Arts to them [the Singaporean authorities] means 'Les Miz,'" said Petito. "Without the small experimental heart-felt work, you're not going to have any kind of unique culture—the one that's going to be most threatening to them and the one they're going to be least likely to support."

Singapore "can be a very exciting place to be, but the bureaucrats don't know how, and so they are taking formulas from here and there," said Ong. Singapore "has a lot of promise for cultural thinkers. At the same time, I'm very disappointed. I feel there is no idea of how to make this rhetoric work."

"A lot of people talk about turning Singapore into a Broadway of Asia," said Uekroth. "If we want to be a Renaissance city," he went on, "then people would just come here and do their works. That's where things like the negotiation with the state in terms of censorship... Because if we want to be a Renaissance city that's something that needs to really be looked at very carefully as time goes by."

Did Anyone Watch the Play?

By Alan Riding
New York Times Service

LONDON — It will come as no surprise to Nicole Kidman's screen admirers to learn that she also looks sexy and beautiful on stage, not least when scantily dressed. Yet this unremarkable discovery threw British newspapers into a veritable swoon this fall when she made her first stage appearance in 11 years.

A few theater critics did actually notice her performance ("she can act"). But far more space was dedicated to poetic, erotic and clinical ("no—repeat, no—cellulite") ruminations about her body. The normally staid Daily Telegraph was quite overwhelmed. "Pure theatrical Viagra," it gasped.

True, sex is the theme of the play, "The Blue Room." David Hare's loose adaptation of Arthur Schnitzler's turn-of-the-century play "Reigen," now better known as "La Ronde."

Ten characters (Kidman and the British actor Iain Glen each play five) engage in a daisy-chain of sexual encounters. Copulation is suggested every time the stage goes dark, with surtitles coyly offering how long each of the 10 couplings supposedly lasts. And yes, for the briefest of moments, the tall, lissome actress does stand naked, her back to the audience, as her partner dresses her. But what is it with the Brits? This was theater, not live sex.

"I think there's an element of the British that is kind of pathetically grateful for a glamorous star gracing our boards," said Sam Mendes, who directed the play at the 250-seat Donmar Warehouse. "Even those who have seen the play have written about something that isn't really on stage. This is not the kind of violently erotic 'Oh, Calcutta!' style review that has been reported here. They wrote about the wrong things. They didn't write about the play."

The playwright seems to have taken it all in stride. "As far as the British press were concerned, the play was simply a chariot that was carrying Nicole Kidman into town," Hare said. "I don't think they noticed there was a play. Plainly, there was something magnetic about Nicole's presence."

Now, after eight weeks of sold-out performances in London, where the rich paid upward of \$1,000 for a ticket and the poor waited 12 hours for returns, "The Blue Room" moves to Broadway to test the response of a New York audience to the Kidman phenomenon.



Kidman in a scene from "The Blue Room."

Will they, too, scramble to view the 31-year-old Australian in various states of undress? The New York producers evidently hope so, since they have scheduled a longer run in a larger theater than in London. With previews beginning Friday at the 900-seat Cort Theater, and the opening scheduled for Dec. 13, the 100-minute play is scheduled to run through March 7.

For all the hype, though, Kidman's purpose was hardly to encourage voyeurism. Rather, having begun her acting career in the theater in Australia in the mid-1980s, she said she simply missed appearing on stage. After Kidman moved to the United States and married Tom Cruise, she made her name in such movies as "To Die For," "Dead Calm" and "A Portrait of a Lady" (her latest film, "Practical Magic," opened last month).

But, she said, she always preferred seeing plays to movies. And when she and Cruise half-settled in England while shooting Stanley Kubrick's still-to-be-released film, "Eyes Wide Shut" (based, by coincidence, on another Schnitzler tale, "Traumnovelle," or "Dream Story"), she jumped at the chance of working in an experimental theater where, she thought, she would attract little attention.

"Well, yes, I have been totally surprised by the reaction," she acknowledged in an interview, accompanied by Glen, in a dressing-room at the Donmar

Warehouse. "This is a small theater. I didn't want to start by doing something big on Broadway or the West End. When you do theater, you want to explore yourself as an actor. And if there is a lot of pressure, it tends to stop you. I just wanted to work with Sam Mendes. I had seen his work at the Donmar. I had seen his 'Cabaret' and 'Othello.' We went to lunch one day and we just got on. He had a lot of ideas."

But bringing a movie star to the London stage is not an original one: Juliette Binoche, Kevin Spacey and Liam Neeson have all drawn crowds here in recent months. But Mendes was clearly taken by Kidman's eagerness to appear at the nonprofit Donmar—and her willingness to do so for a weekly salary of about £240 (\$400).

The chosen vehicle was the contemporary version of "La Ronde," which Mendes had asked Hare to write, using two actors to play all the roles. Schnitzler's original 1900 German-language version, which was closed down by police as obscene when it finally opened in 1921, was a satirical expose of Vienna's highly stratified society.

Speaking of the original play, Hare said: "I think, crudely, you could say that at the end of the 19th century, Freud's contemporary Schnitzler produces this shocking revelation that sex and romance are used to manipulate, and that they are forms both of self-deception and deceit. His version is rather world-weary and cynical about La Ronde, or sexual roundelay: 'Here is this place where we all deceive each other.' I have swung it round because I don't feel that at the end of the 20th century that's such a startling thing to say."

HARE'S version, which changes the identity, though not the social ranking, of several characters, also suggests that nihilism rather than hypocrisy is today's social blight. Of course, in both cases, it is sex that breaks down class barriers.

So, Mendes was asked, did Kidman know what she was getting into?

"I think if she had known what she was going to do, she might have blushed," the director said with a laugh. "But once it became part of an organic process, after you have spent six weeks in rehearsal, it grew out of the natural chemistry between the two actors. If I had told Iain on the first day, 'By the way, I want you to do a naked cartwheel in this scene,' he'd have looked at me and probably walked out. But it came naturally out of the situation."

A Family Affair and a Lost Gem

By Sheridan Morley
International Herald Tribune

LONDON — If we are going to have a London theater scene largely occupied by very big movie stars in very small theaters sold out well before the first night, then I guess the stars might as well be our own.

Sure enough, in the wake of Juliette Binoche, Kevin Spacey and Nicole Kidman, we now get a fully clothed Ewan McGregor (of "Trainspotting" and "Shallow Grave" and the imminent "Star Wars" prequel) making a remarkable London stage debut at the Hampstead in David Halliwell's "Little Malcolm and His Struggle Against the Eunuchs."

The good news for McGregor fans is that between now and when the show closes in early January there are still tickets available for a couple of nights: the bad news is they will cost you £125 each, since the nights are charity fund-raisers.

Now, about the play. It is proudly noted in the program that it first came, in 1966, from the old socialist-fringe Unity Theatre to the West End and then Broadway and finally the wide screen five years later. Indeed it did. But what the program does not tell you is that it ran barely 22 performances in the West End, fewer than nine on Broadway, and that the film was taken off the screens after only five days despite the starring presence of John Hurt.

So we are not here dealing, as in most of the other recent star showcases, with some old and/or popular classic. We are dealing instead with one of the great flops of its period, and what is just wonderful about the current production is the way that it not only establishes McGregor in his London stage debut but also rehabilitates a play that almost everyone had given up for lost.

There is another London debut here, that of McGregor's uncle Denis Lawson as director, and he has also employed his step-daughter Lou Gish in the only female role, so this is certainly a family affair, and it is a triumph of relative values.

Why was "Little Malcolm" such a commercial disaster 30 years ago? It comes of the generation of "Billy Liar" and countless other plays about teenage angst and the disaffection of the young, but unlike those others it is also a parody of the genre, and offers at least four other wonderful roles. What Lawson has established above all else is that here is a play aching for rediscovery, and in theaters other than Hampstead there should now be several literary managers either kicking themselves or hanging their heads in shame at missing this little lost gem.

Essentially it is a dark fable about four disaffected 1963 Huddersfield art students: when one of them (McGregor) is expelled, he rallies the other three around him in a breakaway fascist group known as the Party of

Dynamic Disaffection. McGregor, as unable as Oblomov even to get himself out of bed at the outset, has by the end of the evening become a chilling little Hitler.

Halliwell's genius is to contrast the grandeur of his students' ambitions for world (or at any rate Huddersfield) domination with the reality of their social inadequacy, but then nobody ever said that Hitler was tall or good-looking or a star turn at cocktail parties. True, this is a play that, like its central character, can never quite decide where it is going, or precisely how it plans to get there, or even whether it might be worth going there at all. As a result, "Little Malcolm" is an almost perfect commentary on the student movements of the period despite sharing many of their fundamental views.

What makes Halliwell so worth the revisit—and in 50 other stage and broadcast plays he has never had even a failure as famous as this—is his strange ability to satirize the lunacy of this quartet of losers while somehow also approving of their stand against bleak and bland authority. There have, since "Malcolm," been many better student plays, but as this script shades from courtroom farce into murderous madness, Halliwell has maybe caught a moment in the postwar history of British college life that was as unintentionally funny as it was dangerous. Halfway from Kingsley Amis to Martin Amis, "Little Malcolm" is amazingly alive and well worth another look; always assuming, of course, that you have £125 to spare on a ticket.

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EDITORIALS/OPINION

Herald INTERNATIONAL Tribune

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Pressing Saddam Again

We Mean It, Maybe

You may recall, because it happened scarcely a week ago, that Iraq promised full cooperation with United Nations arms inspectors. You may recall that President Bill Clinton proclaimed this promise a major accomplishment and, with Iraq's promise in hand, called home U.S. bombers then flying toward Iraq's suspected chemical and biological weapons sites. You may recall also that Clinton administration officials warned that any Iraqi failure to provide requested documents or otherwise cooperate with UN inspectors would result in bombing without further warnings.

Well, Iraq has now refused to provide such documents. And the American response? More warnings — and pretty unconvincing ones at that. Here is Defense Secretary William Cohen speaking on Monday: "I think it is up to Iraq to fully cooperate with UNSCOM. A failure to do so certainly leaves open the option of whether or not the president would order a military option in the future."

"Leaves open the option" — so much for a swift and certain response.

It seems that Saddam Hussein has taken America's climbdown last week as yet another victory. Iraq's rhetoric is more bellicose and outrageous than ever. The poison gas residue that UN inspectors found last summer on warhead fragments, despite Iraqi assurances that no warheads ever had been

filled with such gas, are an "imaginary monster they created in their sick minds," Iraq's foreign minister says. "Iraq is the aggrieved party. ... We have handed over all available documents."

In fact, UN arms inspectors know that some of the documents they have requested exist and are relevant. In at least one case, Iraqi officials snatched a document from an inspector's grasp several months ago. But Iraq seems to be again counting on U.S. ambivalence and on divisions in the UN Security Council to reward its noncooperation.

Mr. Clinton and British Prime Minister Tony Blair promised bombing without warning, but Saddam Hussein has maneuvered them into an awkward position. Will they bomb because Iraq has denied one document? How about two? What will it now take?

The Iraqi press meanwhile vilifies the Australian diplomat who heads the UN arms inspection commission. The Iraqis last tried this tactic against the American inspector Scott Ritter, who received scant support from Washington and other capitals. We hope that the dogged Ambassador Richard Butler will have better luck.

Iraq invaded Kuwait. It lost a subsequent war. It promised, as a condition of cease-fire, to cede all nuclear, biological and chemical weapons. It is as determined as ever not to honor those promises. Dangerously absent here is an equivalent determination to enforce them.

—THE WASHINGTON POST

By Force if Necessary

Iraq has got off to a shaky start in honoring its latest pledge to cooperate with arms inspectors.

By promising Washington that it would halt all interference with the inspectors' search for biological and chemical weapons and prohibited missiles, Baghdad won a last-minute reprieve from American air and missile attacks. Now Saddam Hussein seems to be trimming back that commitment. Iraq is implausibly contending that it does not have most of the weapons documents that the inspectors have asked to see, and is suggesting that when full-scale inspections resume next month, the UN investigators may not be able to go everywhere they want. For now, routine inspections have resumed.

President Bill Clinton is right to seek clarification of Iraqi intentions. But if Baghdad is back to its familiar game of thwarting the search for biological and chemical weapons and banned missiles, American military

action may become unavoidable.

The documents sought by the inspectors would show how much weapons material Iraq had before the Gulf War. By subtracting what they have discovered and destroyed in seven years, inspectors can get a good fix on how much Baghdad has left, Iraq complicates the inspectors' work and delays completion of their efforts by insisting that no such documents exist. The United Nations must insist that these documents be handed over.

The Security Council must also insist on unhindered access to all sites that Iraq promised to provide.

Washington can quickly renew the threat of military force. Additional U.S. troops and equipment continue to arrive in the Gulf region.

Inspections, if they can proceed freely, are still the most effective way to track down and eliminate Iraq's terror weapons, but if Iraq will not permit the inspectors to do their jobs, Washington will have no choice but to reduce Iraq's arsenal of deadly germs and chemicals by military force.

—THE NEW YORK TIMES

After Marie Curie

When Marie Curie died on July 4, 1934, Albert Einstein remarked that she was, "of all celebrated beings, the only one whom fate has not corrupted." It has been a century since Curie and her husband, Pierre, who died in 1906, discovered polonium and radium, just a century since she coined the word "radioactivity." Their discoveries brought the Curies worldwide fame, and yet fate, ironically, made the name Curie a byword for modesty. The laboratory in which their most important work was done was only a former storeroom and machine shop, and they always refused, Marie Curie wrote, "to draw from our discovery any material profit."

A small exhibition devoted to Marie Curie has been mounted at the New York Academy of Sciences. It suggests that the history of radioactivity during

the past century divides into two parts, before 1934, when natural radioactivity was the focus of scientific study, and after 1934, when the first man-made radioactive elements were created. Most lay people are likely to feel that the century divides a little more neatly than that: before 1945, when the first atomic bombs were detonated, and after 1945.

Marie Curie died as a result of exposure to radioactivity, some of it incurred while preparing radium for medical use. A century has passed since she discovered that radioactivity was a property of atoms, and we are still adding up the balance sheet, still trying to weigh the lives saved or improved by the scientific exploration of radioactivity against the lives lost or inalterably worsened.

—THE NEW YORK TIMES

Other Comment

Robin Hood in Reverse

The anti-smoking crusade in America (has become) a reverse Robin Hood arrangement: it sanctifies soak-the-poor taxes and robs the poor to pay the rich. The rich, of course, are the private lawyers who represent the states in their tobacco suits. The agreement allows up to \$500 million in annual fees for perhaps a few hundred and at most a few thousand lawyers. For how long? Arbitrators will decide.

The cigarette dispute has evolved into a welfare program that may create some instant billionaires and many multimillionaires.

Because none of this can be defended, it is camouflaged. For self-

interested reasons, the anti-smoking advocates never openly described public choices. Beyond taxing smokers to cut smoking, politicians want to keep the taxes — and not to rebate them.

Public health advocates covet extra money for pet programs, and lawyers crave their fees. All this has involved an adept manipulation of courts and legislatures. A gullible public, aided by a pliant press, embraced the anti-smoking hysteria. Because the campaign succeeded, it will inspire assaults against other industries.

We can't tell the target (whether alcohol or autos or fatty foods) or the tactics, but it's just a matter of time.

—Robert J. Samuelson, commenting in Newsweek

Now a Remarkable Flowering of the Life Sciences

By John Maddox

LONDON — In the past 10 weeks there has been an extraordinary torrent of reports from laboratories over the world hinting at the prospect that the nervous system may be renewed, that the foundations are being laid for the regeneration of worn-out organs, and that there may yet be systematic ways of extending the human life span.

The wave of announcements is not surprise. It reflects the fruition of ideas appearing in the scientific journals in the past decade. This is the beginning of the rich harvest of discovery, and eventually of beneficial application, that will flow from the remarkable flowering of the life sciences since the discovery of the structure of DNA 45 years ago.

Take the goal of extending the human life span or, more accurately, that of preventing the normal aging process.

People have been analyzing the arrangement of DNA in the chromosomes of higher organisms. It turns out that the beaten-down ends of chromosomes appear to shorten as cells repeatedly divide. That leads to the notion of stimulating the enzyme supply, called telomerase, in all the cells of

the human body, allowing organs to keep their youthful habits.

It is one thing to show that the extra enzyme supply will allow cells to divide indefinitely, and quite another to find a drug that switches on the genes concerned with its production, and something else again to satisfy the U.S. Food and Drug Administration that the side effects are manageable. Decades will go by before that can be done. But few pharmaceutical companies will stand aside from this research.

Much the same is true of the hopes for regenerating organs. Recent developments have been stimulated by the common knowledge that many organs in the body will regenerate of their own accord. Muscles cut in surgery, for example, will grow back.

What happens is that adult muscles contain cells called stem cells left over from embryonic life, which are capable of growing back into adult muscles when there is a need. Two separate research groups have lately shown that

cells taken from early embryos or fetuses can be kept in laboratory culture indefinitely and that they have the potential to develop into adult tissues.

As things are, there is only the sketchiest understanding of how cells in the developing embryo are coaxed into their adult habit — skin cells of liver cells, as the case may be. The only certainty is that the process is controlled by genes, not yet identified. Decades will go by before the specialization of adult cells is fully understood.

Then there are practical difficulties to be surmounted. A liver grown from a single embryonic cell may not be compatible with the recipient's immune system, leading to the danger of organ rejection found in transplants.

Plainly, it would be preferable to find the stem cells lurking naturally in the organs to be replaced. That is not now possible, but the record of the past few decades is that everything is feasible given time and effort. This is the spirit in which it has been found that even nerve cells can be induced to divide — and thus multiply — in the living brains of laboratory animals.

Until now, it has been assumed that nerve tissue is unique in that its cells do not multiply, at least in adults. There is ample evidence of this from stroke victims, whose partial recovery seems to involve the adaptation of other parts of the brain to do the work of those parts that have been damaged. But now it has been shown, in laboratory animals, that this is not always the case.

It has become a legitimate goal to seek to repopulate damaged parts of the brain with healthy nerve cells. The snag is that the cells concerned might not make the connections with others required to restore normal functions, but there may be ways around even that obstacle.

All three developments open up the prospect of radical innovations in medicine with profound implications for social life. All of them will be a long time coming to fruition, but their ultimate feasibility is not much in doubt.

The writer, London-based editor emeritus of the journal *Nature*, is one of the most recent of "What Remains to Be Discovered." He contributed this comment to *The New York Times*.

Worried by Bio-Shocks? Free Human Individuality Will Endure

By David P. Barash

SEATTLE — These are the days of bio-shocks: mapping the human genetic code, DNA fingerprinting, cloning. And now, according to reports, the maintenance, in the laboratory, of human DNA fused with cow eggs. Not yet, but someday scientists may be able to introduce such hybrid cells into a needy body, where, if persuaded to perform as required, they could make healthy heart tissue, for example, or maybe even grow new limbs for amputees.

Pretty wild stuff, but not as wild as the implications of these and other bio-shocks for that most fundamental of all concepts, our sense of what it means to be ourselves. As biological science becomes more competent, it also becomes more troublesome, especially for those who worry that it threatens to undermine the integrity of humanness.

By monkeying around with DNA, the argument goes, we degrade the meaning of being human.

Unsurprisingly, those most agitated about DNA technology generally portray themselves as humanists. That is, they value the human whole above the sum of its genetic

parts. But in their anxiety to preserve human integrity in the face of biotechnology, the gene-phobes themselves are the ones who overvalue the significance of DNA.

DNA is only one component of our humanness. The genotype of each particular individual produces a human being (or a hippo, halibut or hickory tree) only after prolonged interaction with the environment. People are genetically complete at birth, but as selves they are woefully unfinished.

The existentialists had it right. From a religious thinker

like Kierkegaard to an atheist like Nietzsche, they recognized that all human beings define themselves as unique, responsible individuals. In other words, our essence is ours to choose, depending on how we direct our selves with all our baggage, DNA included.

This is not to minimize our gene-based, Darwinian heritage. It is, rather, a reminder that within the vast remaining range of human possibility left us by our genes and our evolutionary past, each of us is remarkably, terrifyingly free.

We need not worry that someday, by donating our DNA to help create another person or

by appropriating someone else's DNA to augment our own bodies, we are impinging on another's freedom any more than we are abrogating our own. Someone else, with my DNA, would still be someone else. And if I had liver cells derived from someone else's DNA, I would still be me.

To put it another way, DNA is just not that important. We are obligated to be ourselves, whether we like it or not. No bio-shocks will change that.

The writer, a professor of psychology at the University of Washington, contributed this to *The New York Times*.

After an Apology, Japan and China Should Be Partners

By Ralph A. Cossa

TOKYO — President Jiang Zemin will begin a visit to Japan this Wednesday, the first by a Chinese head of state. But there is a price. Beijing has demanded that Japan issue a detailed written apology for past aggression against China.

China is seeking "a clear and accurate picture" of past transgressions such as was contained in the "heartfelt apology" provided to South Korean President Kim Dae Jung during his visit to Japan last month. In that statement, Prime Minister Keizo Obuchi "humbly accepted the historical fact that Japan's colonial rule inflicted incalculable damage and pain on the Korean people." Mr. Obuchi has indicated that Japan will provide a similar apology to Beijing, as well it should.

The time for healing wounds is long overdue. A written statement of apology and remorse will help to hasten the healing process — provided that Beijing is really prepared to accept the overture. This remains

to be seen. Japanese leaders from the emperor on down have issued apologies to China before. Mr. Obuchi's predecessor, Ryutaro Hashimoto, made a fairly explicit statement of remorse just last year during a visit to China.

To date, these Japanese acts of contrition have failed to satisfy Beijing, which has steadfastly refused to put the past behind and judge Japan based on what it is today and what it has done in the 50 plus years since the end of World War II. Will this time be different? Much, of course, depends on the nature of the apology.

But if Mr. Obuchi gives Mr. Jiang the specific written apology he wants, it seems fair to ask what Japan will get in return.

President Kim of South Korea, in the joint declaration containing Mr. Obuchi's apologies, "sincerely recognized and appreciated the prime minister's honest interpretation of history"

and further pledged to "build a future-oriented relationship based on a spirit of reconciliation and friendship." Mr. Jiang should make the same pledge.

It is time for China to acknowledge publicly that without generous Japanese aid and direct investment, China would not be experiencing the level of economic growth it enjoys today. Japan has truly been a friend in need to China.

Beijing should also acknowledge that Japan's three non-nuclear principles and its decision not to develop an offensive military capability have contributed to peace and stability in Asia. Mr. Obuchi should demand an end to constant Chinese harping about Japanese militarization, especially since China's military, even after its planned downsizing, will be 10 times larger than Japan's Self-Defense Forces.

Mr. Obuchi should be prepared to challenge Chinese criticism of Japan's decision to devote a modest amount of research dollars to theater ballistic missile defense. When Russia's defense minister, Igor Sergeev, visited China in late October, he and his Chinese counterpart Chi Haotian criticized "certain countries" whose plans to develop such a system "will arouse a new arms race." Mr. Jiang should be asked to explain that remark.

Does it mean that China believes that Japan does not have the right to self-defense that every other sovereign state enjoys — a right that China exercises by developing long-range missiles and bombers and nuclear weapons, and that Japan exercises by aligning itself defensively with the United States while voluntarily forgoing such offensive weapons?

Or does it mean that China, which has sworn never to be the first to use or threaten to use nuclear weapons, plans to accelerate its offensive missile capability if Japan is better able to

defend itself? Would it prefer that Japan defend itself by developing a counterstrike offensive missile capability, as China and North Korea have done?

What is needed when the Japanese and Chinese leaders meet is a mutual commitment to cooperate to build a better future. When President Kim of South Korea visited China this month, the joint communiqué said both countries were committed to build a "cooperative partnership for the 21st century." It is time for China and Japan to pursue a similar goal.

A sincere written statement of apology and remorse from Mr. Obuchi will provide further evidence that Japan has come to terms with its past. The key question that China must then answer is whether it will move cooperatively into the future with Japan.

The writer, executive director of the Pacific Forum CSIS in Honolulu, contributed this comment to *The Herald Tribune*.

No, Japan Isn't in Crisis, and America Talks Too Much

By Jacob Heilbrunn

TOKYO — Japan is supposedly in crisis, drastic measures are needed to cure the ailing economy, the remedy is U.S.-style capitalism — open markets and a radical downsizing of inefficient corporations. That is the message President Bill Clinton preached during his visit last week.

On the eve of his journey, Mr. Clinton sent a blistering letter to Prime Minister Keizo Obuchi demanding faster reform. Even the new Japanese plan to pump-prime the economy with a \$197 billion stimulus package has not been enough to satisfy Washington. The Clinton administration is steadily upping the pressure on Japan to adopt the Anglo-Saxon model of free markets.

But nothing could be more mistaken.

Japan is unprepared to overturn its social and economic system at the behest of the United States, nor should it. Far from being in a depression, Japan is experiencing a normal recession. The free market panacea being marketed by the United States would aggravate Japan's woes by sending the country into social turmoil.

It is no accident that at last week's Asia-Pacific conference in Malaysia, the members considered denouncing the effects of rampant globalization on the Asian economies. Anti-Americanism and nationalism are on the rise in Asia as a response to American triumphalism.

Nowhere is this more apparent than in Japan.

Japan never embraced a free market economy. After World War II it retained its old economic system: massive industrial development directed by government ministries. Instead of the Western approach of focusing on short-term profits, the government carefully allocated credits to industry.

The negative side is apparent today. This interlocking system had no real protections against corruption. Hence the spite of failed banks that had extended bad credits. But the positive side was that it created the Japanese miracle. After only a few decades, Japan became an economic powerhouse.

Despite Japan's problems, those benefits are still clear today, and most Japanese believe that there is no need to change fundamentally their economic system.

Why should they? Shunji Taoka, a prominent commentator, says the notion of a Japanese crisis is overblown: "Japan is the world's No. 1 status-quo power, enjoying more than \$1 trillion in personal savings — over 50 percent of the global total of savings — and some \$700 billion in overseas assets."

Glen Fukushima, president of the American Chamber of Commerce in Tokyo, says his American counterparts are bent on engaging in triumphalism and ignoring Japan's real strengths. He notes that Japan has a \$130 billion current account surplus and a manufacturing sector in excellent shape.

What about the effects of the recession on Japanese society? Crime rates, the unemployment level and the numbers of homeless still remain far below those in the United States and other Western countries. Walking around Tokyo or other cities, it

is almost impossible to detect signs of an economic slump, let alone depression.

Sure, more taxicabs are idle in front of the swank Imperial Hotel, teenage prostitution is on the rise and youth crime is increasing. But those indicators of social ferment do not begin to approach U.S. ones. Overall, Japanese society seems to be bearing up under its economic difficulties quite nicely. The surprising thing is how few social problems have emerged.

The approach that the United States is urging on Japan to pull itself out of recession would lead to a radical upsurge in precisely those problems. The consensus society that exists in Japan would be overturned by the U.S. model. In Japan, the economy functions as a buffer against the kinds of social forces that the United States takes for granted. The last thing most Japanese want is massive layoffs or large pockets of inner-city poverty.

While the United States has increasingly large gaps between rich and poor, Japan remains an egalitarian society, if an ethnically exclusive one. The highest salary for a Japanese corporate head hovers at around \$600,000 a year, the kind of sums that someone like Disney Chairman Michael Eisner can command. The neobourgeoisie touted by the Clinton administration would widen the gap between rich and poor, something that no Japanese government can afford to contemplate.

The Clinton administration's badgering of Japan is boomeranging. The prominent novelist and parliamentarian Shintaro Ishihara has just published a new book declaring that Japan is becoming "America's financial slave." Pro-American members

of the Diet, like Shingo Nishimura, explained to me that U.S. attempts to tell Japan how to run its economy are becoming harder to swallow.

They also have noticed that the United States is paying more attention to China than to Japan. Mr. Nishimura calls the Clinton administration "a cabinet of stockbrokers." As a result, members of the Democratic Party, led by parliamentarian Yukio Hatoyama, are calling for a more independent Japan, one that dispenses with the U.S. military and seeks to decrease its economic dependence on the United States.

This may not be entirely unrealistic. One hope harbored by Japanese politicians is that the European Union's new single

currency will provide an alternative to buying U.S. dollars, which has helped to fund the U.S. national debt. Already, government agencies are studying the prospect of shifting Japanese assets toward Europe.

Obviously, Japan and the United States have too much invested to go down separate paths. Instead of engaging in arrogant American triumphalism, which is stirring up nationalist sentiment in Japan, Washington should realize that the United States needs Japan as much as Japan needs the United States.

The writer, a senior editor at the *New Republic*, is currently a media fellow at the Japan Society. He contributed this comment to the *Los Angeles Times*.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Flying Machine

WASHINGTON — The Board of Ordnance and Fortification will investigate the possibilities of flying machines for reconnaissance purposes and as engines of destruction in times of war. Professor Langley, inventor of the aeroplane, appeared before the board in favor of experimentation. He explained the problems of aerostatics, the successful flight of his own invention and the progress made in Germany and France on the same lines. Professor Langley, although conservative, is confident of the ultimate success of the flying machine.

1923: Radio Waves

PARIS — Radio amateurs are now looking forward to the coming tests in communications with America, as there is now no doubt about the possibility of receiving from the

broadcasting stations along the Atlantic coast of North America, this having been demonstrated by a young American amateur. He distinctly heard two American stations between 2 A.M. and 3.30 A.M. Strains of beautiful music from the Aeolian Hall, New York, spanned the 3,500 miles separating the two sets.

1948: Dinosaur Grave

MOSCOW — A Soviet expedition has discovered what is claimed to be the greatest dinosaur graveyard in the world. The expedition returned to Moscow with more than 700 tons of remains of dinosaurs, a giant turtle and a "huge man-eating bird." The expedition leader said he found numerous kinds of dinosaurs, including two rare species, including a "fossilized" dinosaur. Another type found, he said, has been unknown to paleontologists.

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By Anthony Lewis

New York Times Service



Multimedia Corridor

Regarding "2 Technology Advisers Resign" (Nov. 12):

Although in my recent correspondence with Prime Minister Mahatir bin Mohamad of Malaysia and in published articles I have sharply criticized the imprisonment in Malaysia of the former deputy prime minister, Anwar Ibrahim, and my friend Munawar Ancees, I have not yet formally resigned from the International Advisory Panel of the "Malaysian Multimedia Super Corridor," as reported in the press.

I do not believe that this visionary project, which is important for the future of the Malaysian people and serves, in part, as model and challenge to other countries, can flourish in the present climate of political repression. I am sure other members of the panel, including the heads of many giant software, computer and telecommunications companies, share this view. And I do not agree, as Mr. Mahathir has argued in response to my appeals, that the Multimedia Corridor project is purely a business matter and has nothing to do with politics.

The "cyberlaws" that he promised investors — complete freedom of access to information, and other Third Wave freedoms — are, in fact, clearly political. The creation of an Asian Silicon Valley is itself inherently political.

That is why I hope that even at this late date a calm and just resolution can be found to the conflict between those calling for reform in Malaysia and a once visionary prime minister, who in the past has prevented ethnic conflict, marginalized religious fanaticism, and helped replace rubber, tin, and timber with semiconductor chips as his country's key export.

If Mr. Anwar and Mr. Anees are not released from prison unharmed as soon as possible, I will resign, as, I suspect, will other members of the panel on whose investments the project depends.

ALVIN TOFFLER.
Los Angeles.

Russian Weapons Sales

Regarding "Weapons Sulcs Re-
kindle China-Russia Relations"
(Nov. 23):

One interesting point not mentioned by John Pomfret is that the Sukhoi Su-30 fighter-bomber that Russian officials are so eager to sell to China is being developed with funds provided by the government of India.

Russia has long since lost the ability to support its own aerospace industry, but India's funding of military science and technology has increased by more than 70 percent in the last two years alone. The long-term trend is a greater than fourfold increase since the early 1980s, an increase so large

that India can now fund Russian projects as well as its own.

If India and Russia are "strategic partners," as they say, and Russia and China are "allies," can it really be true that China was the reason behind India's nuclear tests? Or is one of the three being less than entirely candid?

ERIC H. ARNETT.
Stockholm.

The writer is project leader at the Project on Military Technology of the Stockholm International Peace Research Institute.

American Thigh

The picture of Madeleine Albright in the Nov. 16 edition sitting with her skirt folded, her legs crossed and her left thigh prominently exposed, talking in Kuala Lumpur with Azizah Ismail — the wife of the imprisoned Deputy Prime Minister Anwar Ibrahim — who was elad from head to toe in the Muslim tradition, was for me a perfect evocation of what is wrong with the U.S. administration and its attitude toward the rest of the world.

Totally unaware of or unconcerned with the attitudes and mores of other cultures, determined to remake the world in our own image, going it alone, Americans flaunt our egocentrism and bull our way ahead.

BRUCE STEDMAN.
Westport Maine.

By Bruce Feiler

NEW YORK — For all the griping about the tabloidization of American news, there is a subtler shift going on in news coverage that is arguably even more corrosive: Increasingly, stories no longer report on the past — they report on the future.

Generations of Americans grew accustomed to turning on the television at dinnertime for a review of what had happened in the

MEANWHILE

world that day — in Washington, on Wall Street, overseas. Today, with news headlines a ubiquitous presence through the Internet and 24-hour cable channels, Americans get stories on what is going to happen the next day: what the president will do tomorrow, what the Dow Jones index will do tomorrow, what Saddam Hussein will do tomorrow.

In effect, reporters have become what weather forecasters always were: predictors. And since predictions are often incorrect, news forecasters are now suffering the same fate as their weather colleagues: They are losing credibility and, at times, becoming laughingstocks.

Paradoxically, this is happening at a time when weather forecasting, enhanced by science and satellites, has grown more reliable. Since reporters have no such tools, the least credible person in the news-weather-sports triumvirate today is often the person reporting the lead story.

Reporters have long played predictor for one type of news: elections. "Dewey Defeats Truman" is branded on every young reporter's head.

But the lesson of that whopper does not seem to register anymore, as this month's elections — "Republicans to Gain 5 to 15 Seats" — showed.

You would think that, with such a poor showing in elections, reporters would know better than to try to branch out, but they are predicting more often than ever. In recent months, the trend has become almost unbearable.

The nadir, of course, occurred two months ago when reporters told us that President Bill Clinton, in his videotaped testimony, would appear irate. He didn't. But prediction journalism is not lim-

ited to politics, it is also rampant in entertainment and economics.

lnel no longer simply reports earnings, it reports earnings that "exceed" or "failed to live up to" expectations. Entertainment Weekly, a master of the expectations game, reports in its Holiday Film Preview issue not only what movies are opening but what will happen to them when they do — what reviewers will say and what the box office will show.

While the explosion of news outlets has helped fuel this trend — one way to stay ahead of the competition is to report on things that have not happened yet — there are other culprits.

For instance, reporters and editors are inundated by reports from focus groups that say Americans want more "service" from their information outlets.

Predictions create the illusion of such service. Just as a weather forecast tells you whether to carry an umbrella, a market forecast tells you whether to call your broker.

Also, reporters hate to appear scooped in front of their colleagues. How many times have we heard this trope: "As expected, the Pentagon announced today ..." or, alternatively, "In a surprise move, President Clinton ... Who was 'surprised'? Who was doing the 'expecting'?"

Beside the fact that predictive news is often wrong, what's corrosive, and maddening, about this trend is that it introduces a filter of superiority into news coverage that turns off readers and viewers. In effect, an omnipresent and omniscient media insider has become the uninvited and uncredited third person in every news story, saying, "Who woulda figured ..." or, worse, "Told you so."

If reporters feel that the who, what, when and where of most stories have already been covered by the time they file, then the way to attract audience — and respect — is to speculate less on the what-nots future and focus more on the hows and whys of the moment.

The writer is author most recently of "Dreaming Out Loud: Garth Brooks, Wynonna Judd, Wade Hayes and the Changing Face of Nashville." He contributed this comment to *The New York Times*.



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INTERNATIONAL INVESTING

The Internet Food Chain Has Developed, and It's Chow Time

By Leslie Walker
Washington Post Service

WASHINGTON — Since their inception, they have been quirky companies with cute names, amazingly erratic stock prices and meager profits. Now they are takeover bait.

They are the Internet darlings: Yahoo! Inc., Lycos Inc., eBay, Amazon.com Inc. and the others. The news that America Online Inc. was negotiating the takeover of Netscape Communications Corp. was enough to send investors — who must be reeling from all the soaring and crashing these companies' stocks have done in their young lives — back to their brokers to buy them at any price, in hopes that some of these companies will become the target of the next takeover bid.

The AOL-Netscape deal "might be the precursor to other, larger deals, because it highlights the fact that it will be difficult, no matter who you are or how big you are, to remain competitive," said Keith Benjamin, an Internet stock

analyst at BancBoston Robertson Stephens in San Francisco. "Most of the deals we've seen so far have been encouraging smaller players to merge."

Internet investors hope Mr. Benjamin is right. Internet stocks such as Amazon.com and Yahoo posted double-digit percentage gains on Monday after the AOL-Netscape talks were confirmed. Shares of eBay Inc., the online auctioneer, rose \$46 a share, or 31 percent, to \$193 Monday. eBay was trading at \$188 early Tuesday.

While AOL's acquisition of Netscape would be the largest deal of its kind in the Internet world, it has many predecessors. So far this year more than \$195 billion worth of Internet-related mergers have been announced in the United States, according to Securities Data Corp., a Newark research firm. That is nearly triple the already-hot pace of 1997, when the value of Internet-related deals totaled about \$69 billion.

The explosion in deals, analysts said, is typical of the second stage of any industry life cycle — an explanation that

acknowledges that Internet companies are now an industry unto themselves.

The first stage is the creation, when small companies start with big ideas to try something new, backed by varying amounts of capital. The second stage is consolidation, when young companies race to grab market share before competitors do. In this stage, companies with ideas that worked or that have market buzz buy up rivals, starting to amass an operation with the kind of scale that gives them economic advantages. This is happening now in the Internet world.

Several Internet companies that run so-called portal sites — electronic entrances to the World Wide Web — went on acquisition binges to bulk up this year, pausing only when financial markets ground to a halt in late summer.

Yahoo, for instance, used its stock to buy companies that provide complementary services to its basic search-engine business — Four11, an electronic-mail service; Viaweb, which produces electronic-commerce software; and Yoyodyne, which pursues direct

marketing on the Internet. Amazon.com used \$321 million worth of its own stock to acquire five businesses. Speeding the Internet industry consolidation is the high prices investors are willing to pay for on-line companies' shares.

"All of our valuation methodologies don't work," said a managing director at Bear, Stearns & Co., the Manhattan-based investment bank that earlier this month led the initial public offering of shares in theglobe.com Inc., an Internet portal company, on Nov. 13. Bear Stearns priced the shares at \$9. By the end of their first day of trading, the globe.com shares were at \$63.50.

When an Internet stock is hot, it seems, the sky is the limit on the value investors place on it. The on-line auctioneer eBay, for example, has a market capitalization of about \$7.6 billion even though it had sales of only \$13 million in its most recent quarter. Executives at Internet companies know those lofty prices will not last forever. So, analysts say, the companies go on buying binges to lock in those valuations, converting

them to more tangible assets.

"The best way to leverage" such a high stock price "is to buy things," said James Preissler, an analyst with PaineWebber Inc.

Internet acquisitions tend to be aimed at getting either customers or content. Lycos Inc., which operates an Internet portal site, went on a customer-acquisition spree this summer, snapping up companies that duplicated its own offerings under different brands but that brought new users to the Lycos Network. The five Web companies Lycos bought effectively converted \$317 million worth of its stock into new customers, content and technologies.

Yet another factor driving the consolidation is the small revenue pool that companies are fighting over. Total Web advertising in the United States this year is projected to be no more than \$1.3 billion, less than 1 percent of advertising spending overall. With thousands of companies competing for the same on-line revenue pool, only a few will find the cash they need to survive.

Very briefly:

• Brazil's economy is expected to shrink 4.3 percent this year, according to J.P. Morgan & Co., which revised its forecast from a contraction of around 3 percent, as high borrowing costs stifle growth in the region's biggest economy.

• Federated Investors Inc. of the United States plans to form a joint venture with LVM-Versicherungen, a German insurer, to manage and sell mutual funds in Germany. Europe's third-biggest mutual-fund market, with \$290 billion in assets as of the end of March.

• California Public Employees' Retirement System and Hermes Pensions Management Ltd. of Britain plan to join forces to strengthen shareholder voices in the companies in which they invest. The two fund managers said they had investments of more than \$62 billion in U.S.-based companies and more than \$36 billion in British-based companies.

• Finland plans to sell 20 percent of Fortum, a utility formed from Neste Group, an oil and gas company, and IVO Group, an electricity company, for 27 markkaa to 33 markkaa (\$5.10 to \$6.36) a share. AFP, Bloomberg, Reuters

Latin Bond Issues Hint Crisis Is Easing

By Jonathan Fuerbringer
New York Times Service

NEW YORK — The door to the global bond market has opened a crack, and Argentina and some Latin American companies are starting to slip through.

Their success in borrowing money in the past few weeks is a sign that the financial crisis that seemed so severe in emerging markets and elsewhere just two months ago is easing.

This reservoir of needed cash had been all but closed to borrowers from emerging markets ever since Russia effectively defaulted on its debt in mid-August. With the heat of the world financial crisis turned up to white-hot, investors were suddenly demanding a crippling 20 percent return for lending in these economically troubled nations.

Now the picture is changing. The U.S. Federal Reserve Board began to cut interest rates, and the International Monetary Fund revamped its rescue strategy, allowing the fund to offer assistance to a country before its economy

plunged into deep trouble. This month, the IMF, the United States and other countries agreed on a \$42 billion plan to stabilize the Brazilian economy. If Brazil's economy collapsed, many economists said, that would be sure to set off a far more serious worldwide economic crisis.

But investors, although willing to dip a toe in emerging markets once more, are still cautious about plunging back in, reflecting the sentiment the Federal Reserve expressed when it cut its interest rate target last week for the third time in less than two months.

"Although conditions in the financial markets have settled down materially since mid-October, unusual strains remain," the Fed statement said, so investors are snapping up only those issues with special extras that make the risk more palatable.

"Investors have money to put to work in this market, but they still need bells and whistles to attract them," said Rachel Hines, managing director for Latin American capital markets at J.P.

Morgan & Co., a lead manager for a \$1 billion Argentine issue that really pushed the door ajar.

Analysts are expressing the same caution about stock markets in Latin America, Asia and elsewhere, though these have done quite well lately.

The Morgan Stanley Capital International index of emerging markets is up 28 percent since Sept. 10 in dollar terms. The Mexican market has bounced back 40 percent, Argentina 66 percent and Hong Kong 54 percent. In Thailand, where the emerging markets collapse began in July 1997, the stock market has gained 79 percent this autumn.

Those rallies have meant profits for those who went in near the bottom but only cut the huge losses for investors who did not get out in time. The Morgan Stanley index had dropped 59 percent from its high before the crisis began.

Gary Kleiman, the head of Kleiman International Consultants in Washington, said he believed these advances were only traders' rallies and did not represent a return of money that would stay for the long haul. He is telling his clients to go in "only very selectively and only if they are prepared to go in and get out," he said.

Robert Pelosky, the global emerging-markets strategist at Morgan Stanley Dean Witter & Co., is also cautious but in the "glass is half full" vein.

"A two-week trip through Korea, Thailand, India and Hong Kong," he wrote in a recent report, "left me feeling that the big question is no longer survival but how long before economies bottom. As such, it's time to gradually begin looking back at the region for opportunities."

The modest reopening of the bond market is probably even more important to the health of Latin American and Asian markets than the bounce of the stock markets. Countries and companies all across the globe are starved for capital. If they do not get it, then a recovery will be much more difficult. It was this fear of a shut-off of lending of all sorts — and the economic collapse that could follow — that prompted the U.S. Federal Reserve to begin cutting interest rates in September.

The success of the Argentine bond issues holds broader significance, said Desmond Lachman, head of emerging markets economic research at the Salomon Smith Barney unit of Citigroup. "This does pave the way for more countries to come back into the market in the months ahead," he said.

The enhancements that have made these issues popular include guarantees of principal and interest payments, opportunities for the buyers to sell the bonds back to the issuer if prices fall and warrants that give the buyer the right to buy another bond in the future at a possibly advantageous price.

In addition, some corporate issuers are considering making their bonds attractive by tying the payment of principal and interest to future revenue. Some countries are also reopening bond issues, a move that investors like because, by increasing the pool, it makes it easier to trade those bonds.

The highest new issue to date came Wednesday, the day after the Fed cut rates in the United States, when Argentina sold \$1 billion of seven-year notes in a deal led by J.P. Morgan and Deutsche Bank.

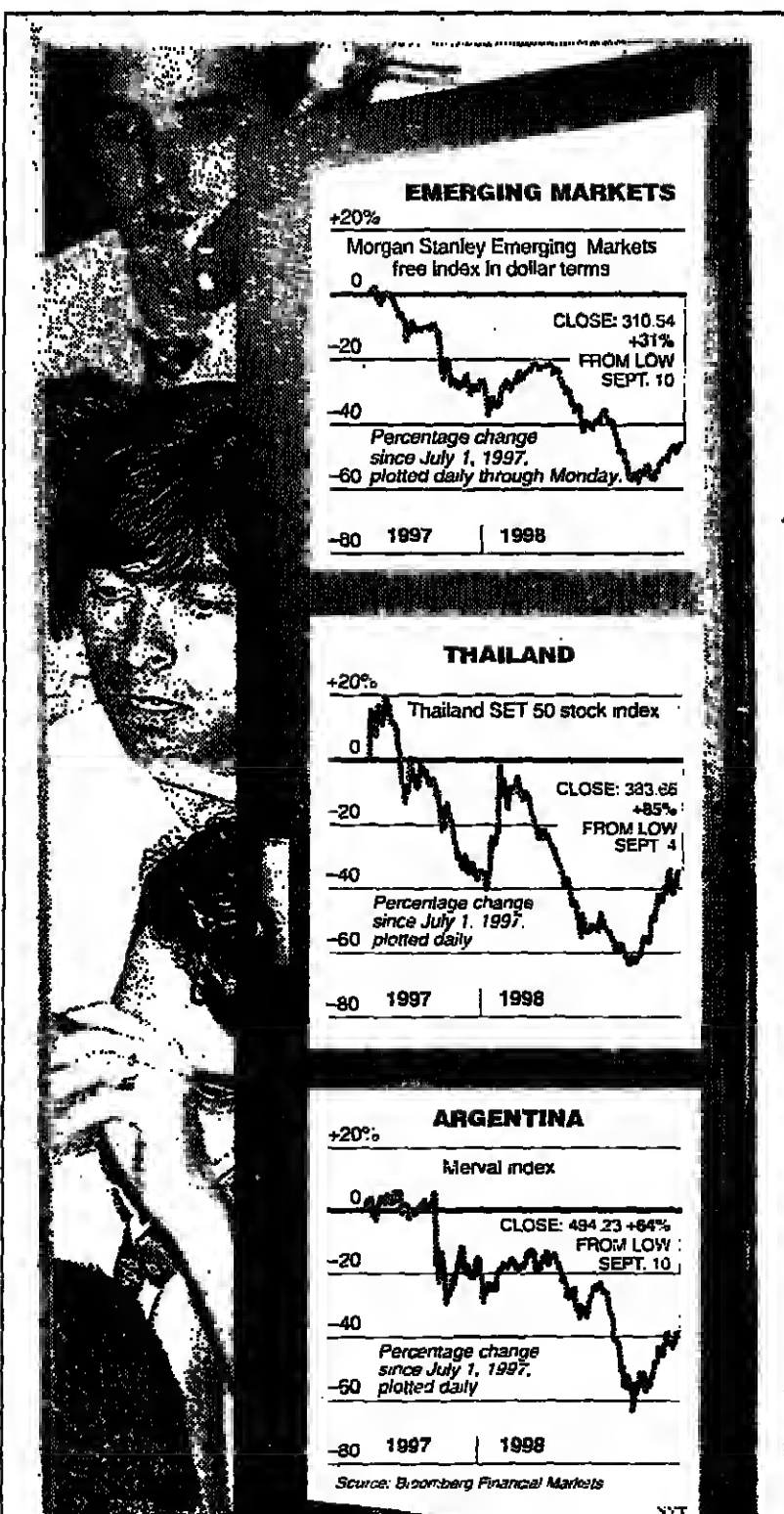
The bonus for investors was a warrant that gave them the opportunity to buy an existing 30-year Argentine bond at a price of \$93.30 for each \$100 on Dec. 4, 1999. The 30-year bond was priced at \$85.50 but would rally if the global financial crisis abated further; by the end of the week, it had already jumped to more than \$88.

According to Ms. Hines of J.P. Morgan, the issue was oversubscribed, with orders totaling \$1.5 billion. The yield on the bond was 11 percent, which was 626 basis points, or 6.26 percentage points, above the yield on the comparable seven-year U.S. Treasury note.

On Thursday, Petroleos Mexicanos, the oil company also known as Pemex, was the first Mexican company to come back to the market since the Russian crisis. It sold \$600 million of 10-year notes that could be returned to the company after three years for their face value. Pemex also is considering a bond offer in which it will pledge future oil revenue to pay off the principal and interest.

In late October and in November, the Argentine government reopened two existing bond issues to raise \$250 million and \$300 million.

Joyce Chang, manager of emerging markets research at Merrill Lynch & Co., said there had also been some new issues in German markets.



China Is Testing Potential Demand For \$1 Billion Global Bond Issue

By Bloomberg News

HONG KONG — China may begin to sell as much as \$1 billion of international bonds this week, its first bond sale in more than a year, bankers familiar with the sale said Tuesday.

Announced in June, China delayed the bond sale as credit markets around the world tumbled. The sale could restart as soon as this week, bankers said, because investors might be willing to accept a lower yield as the outlook for debt markets improves.

The investment banks hired to sell the bonds — Credit Suisse First Boston and Goldman, Sachs & Co. — declined to comment on the timing. There is "no official information about issuing international bonds this year," said Liao

Lumin, a spokesman for the Chinese Ministry of Finance.

Traders said China asked banks last week to begin gauging how many bonds investors would buy and how much they would be willing to pay for new government debt. The feedback so far leads bankers to think China may go ahead with the sale, they said.

China needs the cash because many government-linked investment companies are having trouble paying foreign debts. China's international trust system — a group of government-owned companies that borrow offshore to lend and invest locally — are strapped for cash as short-term debts that were used to finance long-term projects mature. Several have missed loan payments in recent weeks.

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CAREERS IN EUROPE

CUSTOMIZED CANDIDATES FOR FINELY TUNED POSITIONS

Increasingly, European recruiters are looking for sector-specific skills and cultural savvy on top of the right kind of diploma.

Economic recovery in Europe has fostered a skills shortage that is creating new challenges for companies seeking highly qualified executives, managers, and professional and technical staff. The onset of the year 2000 and of the euro are adding to problems in finding and recruiting suitable candidates in fields such as information technology and financial services, while global expansion is accelerating the need for those with multicultural experience.

As a result, companies are turning more and more to executive search organizations that span borders and are expanding their own in-house recruitment capabilities, as well as upgrading their training and incentive programs.

The use of contract employees, especially for particular projects, is also increasing at all levels, including senior management.

Branching out

"Our clients are looking for a multicultural environment," reports Christian Pape, managing director of Pape Personnel Consultants in Munich. "The old type of manager who can only fit into a conservative German environment isn't needed anymore." Companies such as Siemens, Sony, Oracle, Novell and Motorola, he adds, use his firm "because they want to get outside stimulation."

Language skills and experience working in different companies and cultures are important for candidates, particularly those under the age of 40, Mr. Pape notes. "This shows flexibility," he

says, adding that it is more important than continuity in a job. His clients, he says, regard personality as the "key decision criteria," except in very technical positions such as C++ programmers or Webmasters.

In Ireland, the huge growth in the number of high-tech companies setting up non-European or global operations, together with the Irish tradition of loyalty to employers, has led to a critical shortage of potential candidates, says Keith Ellis, senior consultant at the Dublin branch of the British-based Hamilton Parker Associates. The tendency for Irish university graduates to seek work abroad has added to the problem.

"Companies are no longer able to simply rely on networking and advertising in the domestic press to get the quality and quantity of staff," Mr. Ellis says. "A more proactive path needs to be taken, looking beyond Ireland's borders and actively searching for appropriate employees wherever they may be. In many cases, this will not only include expats who, given the right package, would look to return home, but other European nationals attracted by the thought of working in the Emerald Isle for contracts of two years or more."

Trading up

Such cross-border recruiting does not come cheap, however, and companies are having to re-examine their pay and incentive packages, says Pam Flora at Hamilton Parker's international headquarters in Britain. While graduates in Britain may enjoy a reasonable standard of

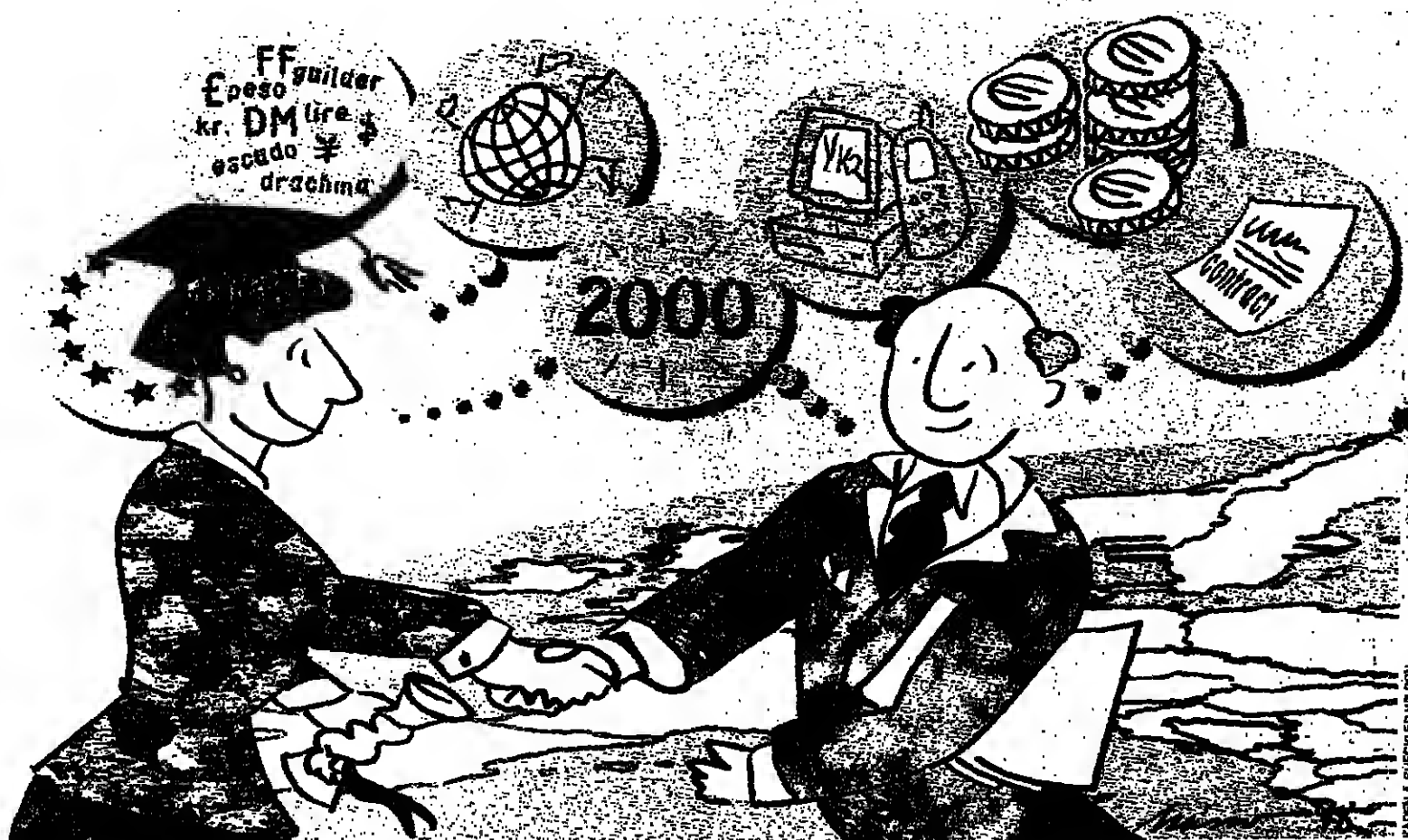
living on 18,000 pounds (\$30,000) a year, based on deductions of 20 percent to 25 percent, they would need the equivalent of almost 30,000 pounds in Germany, where deductions can amount to up to 50 percent. Some nationalities also require a standard relocation package. "The Dutch expect six weeks' basic pay to offset the inconvenience of moving," Mr. Flora adds.

The specialist human resources Web site (www.hr-network.co.uk) run by Octave Consulting Ltd. reports: "Multinational firms are implementing resources to enable them to run global recruitment programs while smaller firms are keen to recruit a workforce with the language skills and cultural awareness needed to undertake overseas posts."

Nevertheless, expectations still vary considerably across national borders, according to a survey carried out for the European Managerial Decision Making Project, which was set up in 1994 by Fondation HEC, an affiliate of Groupe HEC. In Germany, managers expect to be remunerated on the basis of an individual's own performance, whereas in France, the performance of the group, not the individual, is seen as important. A sharp contrast is also evident concerning promotion prospects: in Germany, the individual's performance is deemed the main criterion, but in France promotion is expected to be linked to seniority and group loyalty.

"Most companies will want to utilize search techniques," says Nicola Jolly,

Continued on page 17



GLAMOUR AND COURTSHIP AWAIT ENGINEERS

Prone to waiting by the telephone not too long ago, engineering graduates are now being flooded with offers.

Europe's companies are going to great lengths to recruit engineers. Graduating employees are routinely flown to such desirable vacation spots as Mallorca or the Côte d'Azur, where they get the chance to meet their prospective employers' top managers in between bouts of sky-diving, yacht racing and other activities. Top graduates now routinely receive offers from these companies.

This is all a far cry from half a decade ago, when, rather than courting engineers, companies were busy turning them down. Positions were few and far between. In Germany, the number of

graduating chemical, electronic and other kinds of engineers was between six and nine times greater than the number of jobs available.

High demand

Today, Europe is facing an engineer gap. Demand for engineers is expected to exceed the supply by 100,000 in 1998, estimates Germany's Verein Deutscher Ingenieure.

Recruitment from without has partially caused this night-and-day change. The crushing shortage of qualified personnel now prevailing in the United States has made American recruiters a common sight at European

career forums and other recruitment events. Also boosting demand has been the move by such companies as Arthur Andersen, Roland Berger and McKinsey into the technical sides of their clients' businesses. Management consultants have added new manufacturing process roll-outs, on-line networking of corporate operations and the establishment of quality-control systems to their repertoire of services. This expansion has fueled their need for engineers, preferably those possessing an MBA or equivalent degree.

The classic hires — Europe's manufacturers — are also recruiting heavily.

The ongoing upgrading of their production and processing technologies has also stoked their requirement of engineers. Siemens, for example, while busy trimming the rest of its payroll, has announced plans to hire 2,500 engineers in 1999.

More money

The shortage of engineers has had a correspondingly positive effect on entry salaries, which now routinely exceed \$100,000 annually — princely by European standards. "Too much," lament the companies. They have, however, only themselves to blame.

In the early 1990s, the

companies zealously and often blindly trimmed their workforces. A lack of jobs for engineers was the result, convincing matriculating students to go into other fields. As a result, continuing a several-year, Europe-wide trend, the number of beginning students signing up for engineering at Germany's universities in autumn 1997 was down by more than a third compared with a year earlier.

Not all kinds of engineers are equally sought-after. Europe's public works sector is in a slump, as is the construction industry. Graduates

Continued on page 17

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CAREERS IN EUROPE

ENTREPRENEURS FIND WARMER WELCOME

Start-ups, takeovers and increased competition in Europe are all offering more choices to those starting out on the business ladder.

A record amount of venture and other forms of capital is being made available to company founders in Europe. According to a study commissioned by the European Venture Capital Association, in 1997 venture capital providers invested 20 billion Euros (\$17 billion) in start-ups and other young companies. That was 150 percent more than in 1996, and it brought the total invested by such companies to more than 80 billion Euros.

This growth in venture capital was particularly ex-

plosive in Britain, increasing by 229 percent, to 12.2 billion Euros, and in Germany, which saw its fresh venture capital total rise from 300 million Euros to 2.6 billion Euros. Especially profiting from this massive influx of venture capital have been the Continent's young (seed or start-up phase) high-tech companies, which received one-quarter of the new funds in 1997, up 4 percent over 1996.

Getting and spending Growing just as fast has been the number of business schools and other institutes of professional education teaching Europe's young and would-be entrepreneurs how to procure and use this capital, and how to go about dealing with other tasks of entrepreneurship.

A case in point is Germany. Entrepreneurship, once virtually unknown in the country, is now taught, via a federal government-sponsored program, at 200 of the country's 326 universities, with another 12 universities now setting up chairs. The subject of how to start up your own business is also taught at the country's rapidly growing number of dedicated institutes, whose ranks include Munich's Private Betriebswirtschafts-Akademie.

Thanks to this expansion, Germany's programs now rival those in the United States, where entre-

Companies and Grads Flock to Job Fairs

Whether they go by the name of recruiting congresses, job fairs or career forums, a large and growing number of potential employees-meet-employers events are taking place. Most of them are well-attended.

At the 1998 installment of the German Congress of Graduates, being held Nov. 25-26 in Cologne, more than 400 companies and 12,000 college graduates will be on hand. A comparable large event, the European Career Forum, will be held Dec. 4-5 in Berlin. Also being staged in December is the Euromanagers fair in Paris.

At these events, graduates get the opportunity to meet a large number of potential employers. Many of them conduct job interviews at the fairs, allowing the inter-

viewees to keep their travel costs down. This cost-effectiveness also constitutes one of the job fairs' primary attractions for the companies participating, explains Birgit Hook, spokesperson for Forum Verlag, the company organizing the event in Cologne. "Such events offer companies an inexpensive way of meeting a large, diverse group of qualified applicants," she points out.

"Inexpensive" must be music to the ears of the recruiting companies, which rarely hear the word nowadays. According to international personnel experts, companies spend an average of about \$12,000 per head in recruiting new employees, with the bulk of this stemming from travel and entertainment costs.

preneurship is taught at 400 universities.

Providers furnishing "off-the-rack" services to company founders are also now widely prevalent in Europe. Available at relatively low prices are standardized corporate statutes, personnel management software, trade fair stands and other essentials of modern business. The result of all this has been a record number of start-ups in Europe. More than 2 million people started up businesses or became self-employed in Germany during the period 1990-1996, reports the Globus business research unit. This was by far a record for a six-year period.

Picking and choosing By all accounts, the number of Europe's highly qualified, innovation-minded students about to embark on professions isn't growing as strongly. These "high-potential" graduates traditionally account for the bulk of both the new companies founded in Europe and the entry-level managers hired by the Continent's blue chip companies.

Does all this mean that the work of recruiting these high-potential employees is getting more difficult for the

blue chips? "It means that we have to make very apparent that working for a company like ours and acting as an entrepreneur are anything but mutually contradictory," says Gert Stürzebecher, in charge of executive recruitment and development at Bertelsmann, the world's third-largest media company. Its size notwithstanding, the company has instituted a rigorous policy of decentralization, which has left it with more than 600 profit centers, each run by a team of managers with a significant degree of operational independence.

"We offer high potentials many of the opportunities associated with running one's own business, including the freedom to formulate and implement one's own ideas," Mr. Stürzebecher says. "Our in-company entrepreneurs don't reap million or billion-dollar rewards for their business success; thanks to our results-linked system of remuneration, they do commensurately profit from their achievements. Our entrepreneurs also benefit from a number of features denied to independent start-uppers, including the fact that they don't have to handle tax accounting and other time-con-

suming matters. Our entrepreneurs also get 'peer pleasure' — the opportunity to work closely with, instead of compete against, a large number of gifted, innovative young managers staffing our company."

Or simply born to it Another competitor for Europe's best and brightest is the family company. In Germany alone, 770,000 family-owned companies will experience a change at the top over the next 10 years, forecasts Cologne's Institut der Deutschen Wirtschaft (Institute of German Economic Affairs). To prepare them for their future responsibilities, the families' sons are often sent to INSEAD, IMD and other top business schools in Europe — where they also come to the attention of other companies.

"During my stay at INSEAD, I received — unsolicited — a very attractive job offer from an international management consulting company," says Hans Hammer Jr. He decided, however, to resist the call of an international career and to take over the running of the Munich-based family real estate development and management company. T.S.

EUROPE'S NEW CAMPUS: THE CORPORATE UNIVERSITY

In-house programs are agents of change in a shifting business landscape.

As is frequently the case with business trends, the rush by companies to found their own schools of business administration and management sciences started in the United States. There are now more than 1,000 of these so-called corporate universities in the United States alone, half again more than a decade ago. A number of them, including those of General Electric and Sun, are widely regarded as prime engines of their companies' success.

The trend is now spreading through Europe. On April 1, 1998, in a widely publicized move, Lufthansa founded its School of Business, the first of its kind in Germany.

Following suit have been Daimler-Benz, the country's largest industrial corporation; Bertelsmann, Europe's largest media company; and a number of other heavy hitters in Europe, including Ikea.

These C.U.s. to use the new abbreviation, are of considerable size. Founded in August, Daimler-Benz has an enrollment of 5,000 managers.

Their attendance at the company's school of business is both in-class and virtual, via a specially developed internet.

This trend follows on the heels of two others. First, the world's MBA programs have been busy customizing their curricula to meet the particular needs of various industry sectors and of individual companies, which the programs now work with on a continuing basis.

Lufthansa, for instance, was already working with the London Business School and Ashridge Management School, among others. Deutsche Bank regularly dispatches personnel to Duke University in the United States for further training and "internationalizing."

Up through the ranks These hours of outside training, in turn, generally form part of the "hiring to senior echelons" management development programs that are now the rule in Europe's major companies. These programs are focused on annual stints at the companies' management institutes, where young executives get the chance to work through case studies and to meet face to face with top managers.

Add in the range of other occupational development programs open to young managers, including internships at other

companies and information technology programs, and the question arises: What does a C.U. do that these other programs don't?

A number of companies, including Lufthansa, are using the founding of a university to put their educational houses in order, to combine what had become a variegated gaggle of programs into a single, unified entity.

Tightly focused programs

Another factor is the rapid pace and broad scope of market and technological change. According to the AACSB's 1997 survey of corporate universities, the main focus was inculcating skills with a broad impact and short shelf life, generally in programs of a year to 18 months. These involved areas ranging from new supply-chain software to in-company health care.

As the survey notes, the C.U.'s exclusive focus on corporate needs makes it better-suited to create new curricula than the standard business school, which is tied to providing general-interest content of longer duration.

"The perfect change agent" is how the C.U. was described in the survey — an agent combining independence of vision with depth of knowledge about the company it serves.

Not everyone waxes enthusiastic about the new C.U.s. About a quarter of the American ones offer corporate/college degree programs, nearly all in conjunction with a business school certified by the highly respected AACSB. In continental Europe, which still lacks a unified process of business school certification, this could pose a problem.

Others see the idea of in-class instruction and formal corporate education as already passé. Rather than sending executives back to college, they argue, the companies would do better to bring intramural cyber-coaches into their offices. These advanced, expert systems process and disseminate the latest innovations and policies on an ongoing basis via executives' PCs.

Says Michael Moore, senior executive at Burlingame's Knowledge Adventures: "Each time executives turn on their computers, they learn something new from the cyber-coach, which does everything from structuring how they work to making sure they have the latest facts and figures." T.S.



Company-specific programs target current needs.

Y2K OFFERS ONCE-IN-A-MILLENNIUM OPPORTUNITY

For some job-seekers both old and young, there may be a definite silver lining to the millennium-bomb cloud.

Several one-time events are creating exceptional opportunities for programmers, analysts, software consultants and project managers in Europe. The "Year 2000 bug" is creating extraordinary demand in the area of software maintenance in all geographic regions. Simultaneously, Europe must ready its information infrastructure for monetary union in January 1999. These two events have boosted demand in the European information technology sector, which was already showing signs of recovery from the dark days of the early 1990s.

The "Year 2000 bug," in which computers will have difficulty recognizing the changeover from the year 1999 to 2000, is predicted to pose problems ranging from the annoying — the VCR gets confused and refuses to record your favorite show — to the cataclysmic: the possible shutdown of air-traffic control and emergency health-care systems, telephone networks and banks. No one actually knows the scope of the problem because it affects everything from the mainframe computer at the bank to any of the hundreds of embedded systems in planes, cars and all kinds of devices that aren't normally thought of as computers. In the United States

and Western Europe, military systems, civilian air-navigation systems, emergency health-care equipment, telephone networks, electric power stations and major financial institutions will be mostly prepared and continue to function. In developing countries, preparation will no doubt be much less advanced.

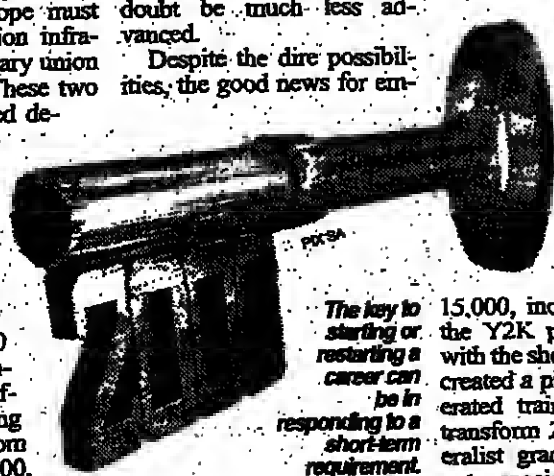
Despite the dire possibilities, the good news for em-

ployed professionals in France. Much of the work is focused on old, obsolete technology, while long-term opportunities for the future are in new and emerging technologies. "Recent graduates are lacking some of the skills needed to fix this problem, such as knowing obsolete programming languages like COBOL," notes Pierre Dellis, general secretary of Syntec Informatique, a professional organization that includes IT service companies and software publishers. "Given the tight deadline, it is difficult to train them in time. We have put into place a program for putting older, unemployed computer professionals back to work in jobs related to Y2K, after which they will be retrained on newer technologies and remain in the workforce." The program has relaunched the careers of some 600 to 700 unem-

ployed professionals in France. Besides the obvious opportunities for programmers, who must review literally tens of millions of lines of "legacy code" (programs not maintained in years or decades), testing for compliance accounts for a large percentage of the task. There is also need for managers and coordinators, writers, translators and people to create and teach seminars to help businesses evaluate their situation and prepare for Y2K and the euro.

Most companies hiring people to work on them plan to keep and retrain them for other things after monetary union and Y2K are addressed. This underscores that information workers of the next century should count on constantly evolving and educating themselves throughout their careers.

Charles Tobermann



The key to starting or restarting a career can be in responding to a short-term requirement.

ployment is that even investigating, let alone addressing, a problem of such magnitude requires tens of thousands of information technology professionals in Europe. With the first phase of monetary union weeks away and Y2K months away, Europe already has large task forces working on these problems, but many opportunities remain. Small companies are lagging behind large organizations in dealing with the problem, and their lack of preparedness may cause supply-chain problems that

Dead languages Of an estimated \$500 billion already spent on Y2K, about 60 percent has gone to personnel costs, more than hardware and software expenditures, combined. Despite the enormous need for workers, obstacles remain for young professionals who

COURTSHIP AWAITS ENGINEERS

Continued from page 16

ing civil engineers, accordingly, are still facing an uphill battle in securing employment.

Many of them are being retrained as software engineers, for whom this is the best of all times. In Germany alone, up to 150,000 engineers and programmers are being sought. A drop of relief for what the trade

weekly Computerwoche has dubbed the software industry's "personnel drought" will be coming in 2003.

That's when the first class will graduate from Potsdam's Hasso Plattner Institute. The capital for the newly founded university is coming from Plattner himself, the cofounder of Germany's wildly successful enterprise software company SAP.

Terry Swartzberg



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CAREERS IN EUROPE



Parts of the selection process can now take place electronically, via video technology.

THE BIRTH OF THE 'LIVE C.V.'

Before the interview itself, now comes the "video-view." On-line technologies have completely changed the job application process. Job applications submitted by e-mail have become standard in the world's business community, as have fact-finding visits by applicants to their would-be employer's Web sites before going off to their job interviews.

These technologies, in the form of video-based Web links, are now revamping what comes after the résumé has been submitted. "Video-views" are now becoming standard. They give prospective employees the opportunity to briefly introduce themselves and to answer a range of hard-hitting questions.

Sounds like what happens at the face-to-face job interview. Aren't these video-views in effect a substitute for the interview?

"A very valuable prelude," says Gert Stürzebecher, head of executive recruitment and development at Bertelsmann AG. "Up till now, the only way we had of con-

ducting a preliminary evaluation of the many applicants to the positions open at our company was on paper. We looked at the résumés, and decided whether or not to invite them to the job interview. Now we've got a way of experiencing them live, of experiencing the person behind the résumé. Another point in favor of the video-view: the road shows we make in the United States — to give one example — are restricted to the major MBA programs. The video-views allow students attending other, less well-known programs to get in face-to-face contact with us. This helps us to expand our pool of potential talent."

DaimlerChrysler is taking interactivity one step further. The company will stage an "Engineers' Day" at the beginning of 1999. Linked via an Internet-based videoconferencing network, 1,000 selected engineers will get to know each other and their future employers. "Team-building during the pre-employment phase" is how it is described by the company.

T.S.

INTERIM MANAGERS ON THE RISE

Companies are increasing their employment of "just in time" executives.

More and more, highly qualified "interim" or "contract" managers, who are generally over 45 years old, are placed in high-profile positions lasting from three months to two years. This kind of intervention can help a company expand, innovate and become more competitive by implementing "just-in-time" resources. The executives themselves welcome the opportunities to increase their skills, experience and pay as well as the new challenges that such temporary work offers.

"It's a growth area that extends right up the scale," observes Shawn McCarthy, group managing director at Jonathan Wren, the British financial appointments firm. "It's already big in information technology, and now in financial services generally. It makes sense to bring in contract managers, particularly where projects are involved."

Cash advantages

In Britain, he explains, the managers themselves gain considerably because of the tax-planning advantages involved in contract work. While a permanently employed executive can lose from 30 percent to 40 percent of his or her income to taxation and other deductions, those on contract who choose to set up a limited company of their own can reduce the figure to between 20 percent and 25 percent. "There's a cash advantage to the employee," Mr. McCarthy explains, "but on the downside, there is a loss of security and no guarantee of future earnings."

"More project work is available on long-term contracts," says Nicola Jolly, British vice president of Accountants on Call/Accountants Executive Search. A contract financial controller, she explains, might be brought in by a company that is installing new software throughout the enterprise. He or she would temporarily replace the existing controller, taking on all duties for a period of six

months or so, thereby becoming actively involved in the new software installation.

Similar situations, she adds, apply in information technology itself and in other financial fields such as management buyouts. Such jobs allow the contract executive or temporary professional to "get involved with many different skills." These positions, Ms. Jolly adds, provide career advantages and should not be seen as something to do just between jobs.

National factors

While many recruiters in Britain say that the employment of executives on a temporary basis is still far less common than in the United States, human resources personnel in other European countries generally say that Britain, together with the Netherlands, is far more advanced in this field.

"It wasn't very popular in Germany because the labor law was very strict," says Christian Pape, managing director of Pape Personnel Consultants in Munich. "The trend is coming from the UK, and this is new. It is good business." Companies that find it difficult to fire employees, he adds, prefer to hire temporary staff, so "the demand is definitely there." His clients generally offer contracts ranging from six to nine months. Demand is strongest for those with experience in information technology, telecommunications and microelectronics.

On the other side of the equation, he reports, there is little difficulty in attracting suitable executives or managers. "We can convince them because we say 'We're going to manage you.'" Many of these people, he says, are extremely good at what they do, or in their technical fields of specialization, but are less talented when it comes to marketing themselves.

The use of contract managers is now expanding into additional fields, such as human-resource management itself. Contract managers in human re-



Staying in for six to nine months is typical.

sources can add value and expertise to a department lacking the necessary resources and can help it respond to new developments in labor, health and safety legislation.

Specialists in compensation, diversity trainers and recruiters are also in demand, and this is expected to increase as the skills shortage rises.

For companies seeking highly qualified, managerial-level staff, the excessive use of contract executives or professionals — as has happened in some cases in the United States and Britain — may be detrimental to performance and competitiveness over the medium to long term. Judiciously used within a well-defined plan, however, temporary staff offers employers a cost-effective way to increase their flexibility and skills.

For this reason, contract executives and senior managers can be expected to play a larger role at the upper end of the corporate structure.

P.A.S.

A FEW CRUCIAL KEYS TO START-UP SUCCESS

Even the ruggedly individual entrepreneur needs to know when and where to turn for help in creating a business.

When Peter Mandel-son, British secretary of state for trade and industry, recently called for greater tolerance of business failures, he touched on a paradoxical truth that lies at the root of success in the creation of new ventures.

"Every new business start-up is different, but there are several common factors that point to success," says

Karel Samsom, associate dean of MBA programs and professor of entrepreneurship at Nijenrode University, the Netherlands Business School. "Creativity is one essential ingredient. In addition, the entrepreneur needs to have a very independent and robust personality that will not be daunted by the overpowering scale of the task he or she faces. Analytical skills and the ability to manage people are also high on the list of requirements."

According to Daniel Musyka, associate dean for the MBA program and INSEAD Alumni Fund professor of entrepreneurship at INSEAD in Fontainebleau, France, "Typically, getting the management team right is even more difficult than resolving issues such as finding the right sort and amount of finance. You have to take a hard, realistic look at the people you have and decide whether you need to recruit outside management talent."

In a few instances, young entrepreneurs feel ready to tackle the formidable challenge of creating their own company right after graduating from a business course.

"For example," says Thibaud Durand, deputy director of the business creation department at the Institut de

Empresa in Madrid, Spain, "a Mexican national who graduated from our international MBA program in 1997 has set up a company in Madrid specializing in the production of fruit juice concentrates for the European soft-drinks industry. He buys the primary products from his base in Madrid, then has them processed in Mexico for subsequent distribution throughout Europe."

Team-building According to Daniel Musyka, associate dean for the MBA program and INSEAD Alumni Fund professor of entrepreneurship at INSEAD in Fontainebleau, France, "Typically, getting the management team right is even more difficult than resolving issues such as finding the right sort and amount of finance. You have to take a hard, realistic look at the people you have and decide whether you need to recruit outside management talent."

John Bates, executive director of the Foundation for Entrepreneurial Management at London Business

School in Britain, identifies three frequent pitfalls to avoid in the management of an innovative new business. "First of all, budding entrepreneurs / characteristically underestimate the amount of time needed to get their start-up off the ground," he observes. "For instance, you know your idea is a winner that ought to be instantly snapped up, but potential customers somehow take much longer to make up their minds."

"Secondly, the entrepreneurial manager has to resist the temptation to go on fine-tuning his or her product forever, in an effort to make it as perfect as possible. The business needs to start making money quickly, and the important thing is to get the product out on the market at the earliest possible date."

"Finally, it is all too easy to underestimate the vital importance of such a basic matter as sales management. The best source of finance for a growing business is cash generated by sales, and the closest attention needs to be paid from the outset to ensuring that selling and pay-

ment collection work smoothly and effectively."

Mr. Samsom points out that North America has traditionally provided the most welcoming environment for entrepreneurial start-ups. "Regulations" have often been seen as a deterrent factor in European countries such as France, Spain and Italy," he says. "Recently, a number of European states including Britain, the Netherlands and Denmark have made efforts to simplify rules affecting new businesses."

Banks and venture capitalists may both be sources of finance for startups. Banks, characteristically, look for collateral as well as evaluate the chances of success of the new business. Venture capitalists by definition accept greater risk in return for an equity participation, but even they may want to see something of a track record before taking the plunge.

"Any new business creation is necessarily based on a vision of the future," Mr. Samsom continues. "It is often difficult to convey the content and reality of this vision to traditional financiers, particularly since they know that statistically some 60 percent of start-ups fail within the first four years. As a result, entrepreneurs often have to look to alternative sources such as family or so-called 'business angels' — typically individuals who have become wealthy and wish to invest some of their money in promising new ventures. Another possibility is to seek a corporate partner with a complementary interest in the same field."

Commercial hotbeds In some cases, agencies and local bodies such as chambers of commerce provide facilities commonly known as "business incubators." Often these take the form of serviced office premises plus the availability of counseling.

"In addition, major international consultancy firms such as Price Waterhouse Coopers Lybrand may provide services on attractive terms to young companies that may develop into valuable clients," Mr. Samsom adds.

Regional and local development agencies may also be willing to assist in some instances. For example, in France, the ANVAR agency provides financial assistance to science and technology-based ventures.

London Business School recently created a venture-capital vehicle in cooperation with institutional investors and the Instituto de Empresa is working on the development of an international network of schools that will link young entrepreneurs seeking funds with potential investors.

Michael Rove

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[Ouss Grünwald, Jacqueline Yildirim]



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CAREERS IN EUROPE

WHEN IT'S A FAMILY AFFAIR

Maintaining a family-run business through the generations can be ticklish.

Britain's aristocratic Grosvenor family, currently headed by the sixth Duke of Westminster, started building up its property assets in the 17th century. Today, the family company — Grosvenor Estate Holdings — controls vast estates in London, including much of Mayfair and Belgravia, together with large residential and commercial holdings in North America. It also manages property funds around the world worth about \$6 billion and is extending its activities into continental Europe.

As family companies go, Grosvenor Estate Holdings is an exception. Most family-controlled businesses fail to make it through the second generation, and only about one in 10 survive the third. Yet businesses of this type play a vital role in maintaining national economies and boosting employment across Europe.

"Family firms face a multitude of issues that other companies do not," says Ludo Van Der Heyden, the Vende/CGIP professor for the large family firm at INSEAD in Fontainebleau, France. "In particular, there is a mixing of family relationships involving emotional issues — often tacit rather than spoken — with hard managerial questions. Against this background, it is often possible to leverage family issues to the advantage of the business in terms of provision of capital and assets. At the same time — and more surprisingly — it is also frequently possible to leverage the company for family and social advantage without running the business."

Mr. Van Der Heyden cites the example of the Bonnier family of Sweden. "They have succeeded in operating the family company both to generate profits and to exercise a social role in Swedish society," he says. "They are, for instance, patrons of the arts."

Economic pillar

According to Panikos Poutziouris, fellow in management of the small and medium enterprises business development center at Manchester Business School in Britain, "The family business economy represents 85 percent of all enterprises across the EU. Moreover, firms of this type account for around half of the EU's employment and economic activity."

The Netherlands provides a good example. "Forty-seven percent of Dutch companies with 100 or more employees are family businesses," says Roberto Hjoren, who works on family business issues at Nijenrode University, the Netherlands Business School, "and 83 percent of all businesses in the Netherlands are family-owned." In addition, family businesses ac-

count for 46 percent of jobs in the Netherlands and 54 percent of the gross domestic product.

Says Mr. Poutziouris: "As competition intensifies, globalization grows and technology stakes up markets, there is at the same time ceaseless scope for the family business to professionalize and broaden its capital base, together with its financial and entrepreneurial management know-how. It is imperative to extend the financial equity base, since profits otherwise are not enough to finance the investment program needed to sustain the competitiveness of the business. Moreover, although the family by itself can support the early development of the business, there is a need to strengthen the management team for the regeneration of family entrepreneurship. This needs to be done partly with family managers, but also with professional managers from outside the family."

Cash vs. control

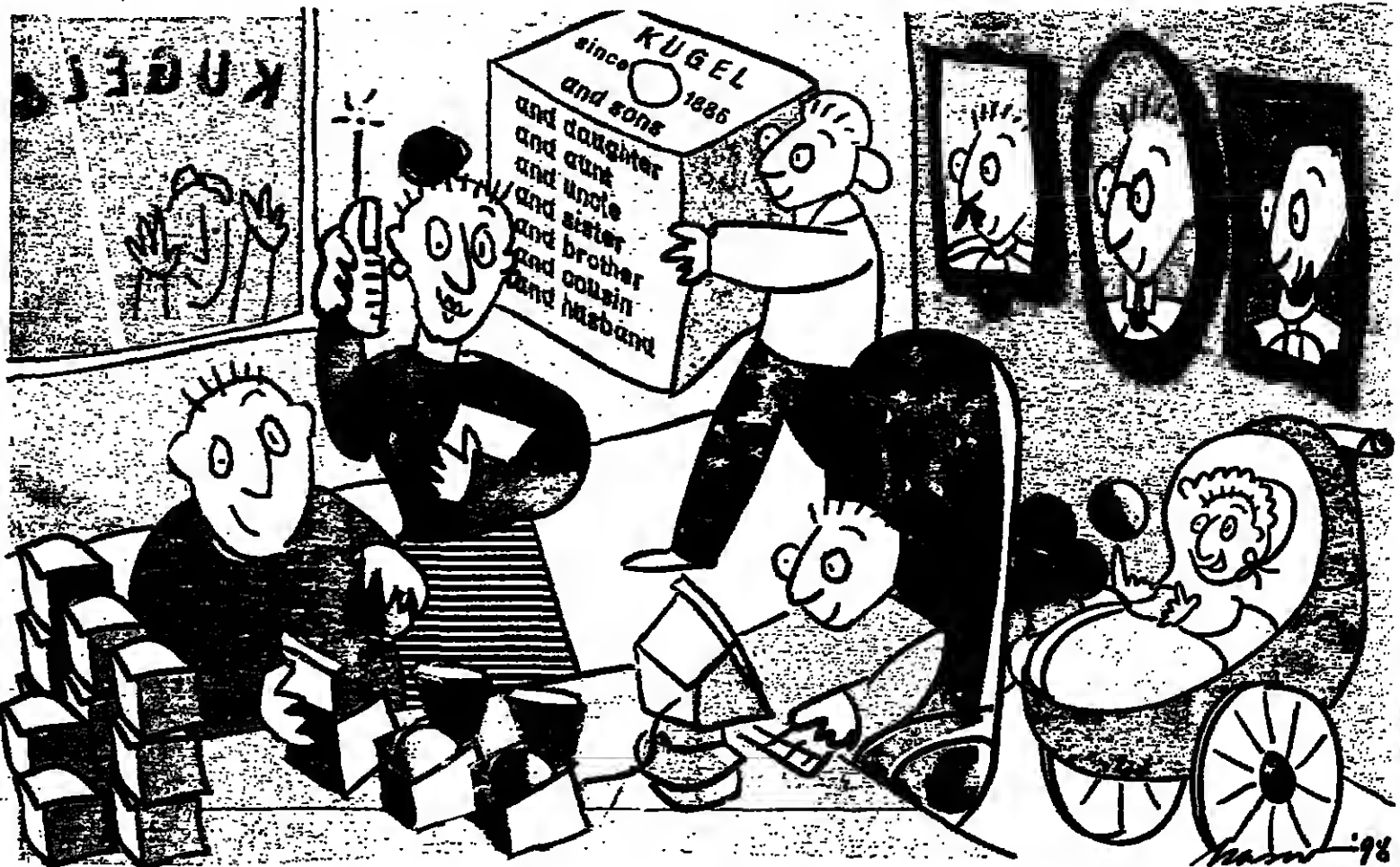
Joachim Schwass, professor of family business at IMD in Lausanne, stresses that successful family businesses often need to seek a stock exchange listing in order to obtain equity funding for further rapid growth. "This inevitably means giving away a measure of control, but the move can have many unexpected positive side effects," he says.

"One example is Hermès in France," he points out. "The family benefited from the decision to go for a stock exchange listing, since it put pressure on them to become even more professional in their management strategy, and to develop their markets even further. Also, going public provides scope for family members who wish to sell some or all of their shares."

Succession is a major issue in family firms. "The most difficult succession issue is from first to second generation," says Mr. Schwass. "The first-generation CEO is the person who built the business. He has an especially strong ego and a 'hero image.' He finds it difficult to let go of control, and his children find it difficult to stand up to him."

Many family companies — even larger ones — go out of business at the end of the first generation. "This is because they fail to develop and continue to do the same thing for too long," says Mr. Gallo. "To enable family companies to continue to the second and third generations, it is necessary to set up structures, such as a board of directors and a management committee. Also, the first-generation CEO has to know when it is time for him to give up control."

Michael Rowe



FINANCE HOUSES LOOK TO INVEST IN TECHIES

The recruiting focus of Europe's financial institutions has moved from the trading floor to the electronic platform.

Europe's financial community is still seeking people with expertise in managing international securities exchanges and foreign-exchange operations. But rather than recruiting these people directly off the trading floors in New York and London, the Continent's finance houses and exchanges are scouring business schools and information technology companies. The change is a product of international finance's move toward electronic trading and transaction systems.

In the early 1990s, one of the first moves made by the relaunched stock exchanges in Riga, Budapest, Prague and other Central and East European cities was to hire staff members working at the major houses in Britain and the United States, or students graduating from Anglo-American MBA programs with a specialty in

security dealing. It made sense; the Anglo-American stock exchanges were light-years ahead of their European counterparts in terms of the business of running and overseeing a securities exchange and its various clearing and settlement bodies.

This "expertise edge" led newly founded banks like Leipzig's Landesbank Sachsen Girozentrale to recruit teams of foreign-exchange and treasury specialists working at finance houses in Britain and the United States. This headhunting was not, however, restricted to continental Europe's new bourses and banks. Teams of Anglo-American mergers and acquisition specialists were among the hottest items on Europe's job market throughout the '90s, with Deutsche Bank and other heavyweights paying top prices for their services. Rather than hiring Anglo-

American experts, a number of other finance houses and exchanges chose to work with international consultants with a demonstrable know-how in this area.

The great skills shift

By now, thanks to these hirings, continental Europe's banks and securities exchanges offer a range and sophistication of services rivaling those of their Anglo-American counterparts. Does this mean that the expertise edge has become a thing of the past?

Says Maryam Marquardt, responsible for personnel development at Deutsche Börse AG, the corporate parent of the Frankfurt Stock Exchange, the German Futures Exchange and various electronic trading and clearing systems: "Though smaller, the edge is still there, and

will be for perhaps another five years. That will have a commensurate effect on recruiting. Today, we're also strongly looking for a new kind of international expertise, and that's in the setting up and running of the transnational IT platforms increasingly becoming the norm in the world's financial community."

Unlike in the past, this expertise isn't confined to the Anglo-American financial community. Thanks to SAP and other companies, Germany has become a prime source of high-tech expertise. "We're recruiting heavily among the country's IT specialists as well as in other finance-related areas and, via our dedicated Web site, around the world," says Helmut Pothoff, head of human resources at Deutsche Börse, whose IT services subsidiary is in the process of recruiting 100 employees. T.S.

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CAREERS IN EUROPE

THE NEW MASS-MARKET AND CROSS-BORDER APPROACH TO RECRUITING

Just like other companies, headhunters are responding to the increasing globalization of the business world.

Recruitment firms throughout Europe are looking at innovative ways to expand their businesses in a period of globalization. The franchise system is one new approach being embraced, along with the development of cross-border allegiances and the introduction of Internet-based systems.

Franchising allows international recruiters to drastically enlarge their pool of potential candidates while reducing business risks and minimizing costs. Executives who take up this kind of franchising are finding an attractive new career that offers the potential of better earnings, flexible work and challenging new roles. Most have spent years in blue-chip companies, often in specialist roles, where they have developed a wealth of international contacts with both companies and their senior managers that can be put to excellent use in the field of recruitment.

Humana International is one of the fastest-growing franchisers in the world. Founded in 1992, the company has used Britain as a base to expand into other parts of Europe and Asia, and currently operates in 17 countries through 140 offices. Altogether, some 300 consultants are involved. Small, medium and large blue-chip companies are provided with executive search services ranging from mid-professional to board level.

Trickle-down economics

Humana's founder and managing director, Doug Bugie, explains that his company wants to expand into the mass market as well as internationally. "Just focusing on the top 100,000 pounds sterling level is only 5 percent of the market," he says. "There's much more business in the 30,000 to 70,000 strata, involving tens of thousands of posts to be filled."

Humana looks for strong executive talent to run the franchised offices.

"We want to train the best franchisees, people who can deal at top level, typically earning 30 percent of a placement's first-year income as a reward. We have owners who are enjoying significant incomes."

Says Kevin Cox, Humana's corporate marketing director in Etoos: "The vast proportion of people who've joined in the last year don't need to leave [their former jobs]. They're walking away from highly paid jobs because they can earn considerably more than in their companies. We're looking for people who want to build businesses, not just be a one-man band."

"By working closely with our European partners, we are able to offer a one-stop-shop solution"

The new multinationals Other recruiters are expanding their businesses internationally. British-based recruiter Hamilton Parker Associates says that this allows the company to conduct strategic cross-border campaigns aimed at enlarging the pool of potential applicants.

There are hurdles involved, however. "Taking the pan-European path is not easy," says Keith Ellis, senior consultant at the company's office in Dublin. "It requires a good grasp of the individual nuances that exist within the countries and cultures of Europe, as well as an understanding of what will, or will not, attract candidates from each country."

Recruiters, he adds, "must understand the relevant comparative employment laws, the appropriate salary packages, the type of adverts and approach to adopt, the areas and countries from which candidates are likely to move, the tax implications, the appropriate remuneration packages, the relevant paperwork and visa requirements."

Hamilton Parker has also helped to found a broad alliance of European firms—PHPI International—involved in cross-border search and selection. It includes Menway Consultants in Grenoble, France; Oslo-based Preus Consult; and Pape Personnel Consultants in



Recruiters are helping international companies put the necessary pieces together.

Munich, Germany. Menway has formed Alway Conseil, a concern that caters to human-resources needs throughout the Alpine region.

Preus Consult, which covers the electronics, telecommunications and information technology sectors throughout Scandinavia, says the alliance reflects the growing international outlook of the company's clients. "By working closely with our European partners, we are able to offer a one-stop-shop solution to their recruitment needs," observes Kolbjorn Preus,

managing director. Throughout the industry, the use of the Internet is increasing as well, thereby facilitating international exposure. The Online Career Center (www.international.occ.com) is just one of many companies offering positions in the United States and Asia as well as in Europe, including the possibility of applying on-line. Other companies are expanding their Internet use to help market their services in both their home countries and abroad.

P.A.S.

AVERTING BRAIN DRAIN

France hopes to keep high-tech workers, among others, at home.

French young people are fleeing the land of wine and cheese for greener pastures abroad.

According to the French Embassy in London, 60,000 French citizens are living or working in Britain officially, but there may actually be as many as 200,000 guest workers in the country. At the French consulate in San Francisco, located near Silicon Valley, another haven for French expatriate workers, around 40,000 French expatriates are registered, and the real number may be double that figure. At a time when U.S. high-tech employers are begging for skilled workers, the temptation for French techies to head west is strong. Another sector that is being drained of its local talent is scientific research, as many young French researchers struggle to find work in their field at home.

Where the jobs are

Why are the French, notorious for their strong attachment to their culture and cuisine, taking their *savoir-faire* abroad? For a variety of reasons, perhaps first among them the country's high level of unemployment.

Although unemployment eased in September for the first time in four months, to 11.7 percent, France's unemployment rate is still uncomfortably high. Only 55 percent of French people over the age of 15 are employed, compared with almost two-thirds in the United States.

Young people are particularly hard-hit by unemployment. For those under the age of 25, the rate was 26.9 percent in September. One of the reasons for the widespread demonstrations by French high school students this fall was their worry that their education was not preparing them for the job market.

Other explanations for the exodus are France's high social charges and complicated bureaucratic procedures, with resulting high business costs that discourage entrepreneurship, as do the country's high tax rates.

Ambitious young people who want to set up companies see too many barriers in their own country and take their ideas and talent to more open economies like those of Britain or the United States, where raising capital is easier and enterprise is encouraged.

Another problem is what might be termed the stagnation in the French workplace. Aline Songé, a young

French secretary for an audiovisual company, is planning to pack her bags and cross the Channel at the beginning of next year because she believes that she will find more opportunity and openness on the job market. "Everyone has a chance there," she says, pointing out that in French companies, there is less room for advancement or career changes. "Employees are compartmentalized in France," she says.

Even Belgium has been seen as an easier place to do business by Parisian art dealers who have moved their galleries to Brussels. One of them told *Le Monde* earlier this year that his cost of doing business in Brussels was 10 times less than in Paris.

What can France do to stem the brain drain? First, attack unemployment. Many commentators saw September's drop in the jobless rate to 11.7 percent as a positive sign. The number of unemployed decreased by 43,000, 5 percent less than the comparable figure a year ago, indicating that France is creating jobs and that the economy is on the right track. In the first six months of 1998, France created jobs at a faster rate than at any other time during the past 10 years.

Economists point out that domestic demand is strong and predict that unemployment will continue to decline, boosting domestic spending further. The latter rose by 9.1 percent in September over the same period last year, the fastest rate seen in 10 years, according to Insee, the government statistical bureau. The European Commission predicts an economic growth rate of 2.6 percent for France in 1999.

Single market efforts

European Union policies may also help to attack some of the problems that are driving French job seekers and entrepreneurs to foreign shores. The European Commission's Employment Guidelines are based on four pillars: employability, entrepreneurship, adaptability and equal opportunities. Revisions to the guidelines for 1999 call for "a review and reform of tax and benefit systems to make it more attractive to take up work or training opportunities," as well as job creation in the services sector. "Future increases in the overall employment rate will depend on an expansion of jobs in services," the Commission's report said.

Heidi Ellison

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It's time for clarity.

The Specter Of Deflation Haunts U.S. Economists

By Reed Abelson
New York Times Service

NEW YORK — Deflation in America? Don't be ridiculous. Most investors are quick to dismiss the notion of deflation, an economic environment defined by widespread declines in the prices of goods and services. Accustomed to the inflation of the past half-century, or so, they expect ever higher prices for their cars, their homes and — perhaps most important — their stocks. They simply cannot imagine a world where most items they buy behave the way that computers do now — getting cheaper year after year.

But the truth is that a lot of smart people are thinking about the possibility — and not just the Cassandras of the stock market who insist that a crash is coming. After a period in which the U.S. economy could seemingly do no wrong, with inflation low and growth rebounding, there is now talk among economists, money managers and strategists about the odds of deflation taking root here.

"We went from the New Paradigm to deflation, from June to August," said Byron Wien, an investment strategist at Morgan Stanley Dean Witter. Even with the recent rally in stocks, he said, "the word 'deflation' is still on everybody's lips."

Like many others, however, Mr. Wien does not think deflation is likely to take hold. So why all the buzz? Because there are just enough signs of deflation — such as the flood of cheap steel into this country or the briefly negative yield on six-month Treasury bills in Japan — to make people pause.

Even the U.S. Federal Reserve Board chairman, Alan Greenspan, has mentioned the subject, and his willingness to cut interest rates again last week suggests that he is more concerned about the economy contracting than about inflation.

Alice Rivlin, vice chairman of the Federal Reserve, said Tuesday that despite the risk of global recession, deflation "is not a near-term worry," Bloomberg News reported. However, she noted, there has been a "decline in commodity prices generally around the world, largely due to the global economic crisis."

If the average prognosticator is wrong and the U.S. economy does slide into deflation, investors are likely to have a hard time adjusting. For all the turns of the business cycle, deflation has been essentially nonexistent in the United States since the 1930s, and few investors have spent much time considering the impact of even a mild decline in prices — an average of just a percentage point or two a year.

Few money managers are old enough to have had firsthand experience with deflation. "The problem is that nobody, with few exceptions, has ever seen a real deflationary environment," said Timothy Morris, chief investment officer for Bessmer Trust Co. in New York. "We are not sure what it means."

Like inflation, deflation does not come in a single flavor. Economists are careful to distinguish, for example, between the deflation that wreaked havoc during the Great Depression and the more benign variety seen in the late 1800s.

The former type took a firm hold when demand fell everywhere, driving down prices and putting millions of people out of work. The latter coincided with the arrival of the Industrial Revolution in the United States: Prices fell because both production and productivity soared, and both workers and business could afford to keep demand strong. Some analysts see parallels between that period and today, given the advances occurring in technology.

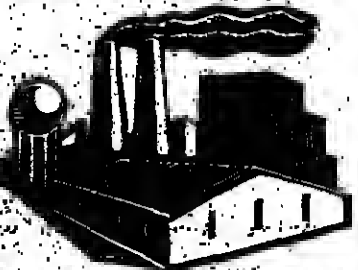
But no one is sure. "This could be



A growing chorus of economists and market strategists worries that deflation could pose the biggest threat to Americans' prosperity. But deflation outlooks differ in their likely significance for investors. Here are three:



This kind of deflation, reminiscent of the Great Depression, is marked by prices that fall because there is too little demand from consumers and companies. There are precious few places for investors to hide. Stocks of nearly every description become mired in a deflationary morass. Treasury bonds are big winners as interest rates fall. Real estate is a losing proposition.



This is the kind of deflation experienced by the United States during its Industrial Revolution; the manufacturing economy expanded dramatically while prices fell steeply. In today's economy, some analysts say, technology industries are already in such a phase. Stocks manage nice gains overall; companies that prosper are likely to be those that push innovation. Bonds generally do well. Real estate prices decline somewhat, but there should be no debacle.



Even mild deflation can create havoc as companies, consumers and investors adapt to new expectations. But if the economy is well-managed through the transition, the adjustment need not be too painful. Stocks: Investors should look for low-cost producers or companies in industries that tend not to feel much pricing pressure. Bonds should remain attractive once interest rates have fallen. Real estate outlook is mixed: While today's valuations do not seem too high, owners who have borrowed excessively may be in trouble, and any weakening of demand will hurt prices.

Illustration by Chris Galt/NTV

Deutsche Bank Move Stirs German Jobless Fears

By John Schmid
International Herald Tribune

FRANKFURT — Deutsche Bank AG's bold move this week to expand onto Wall Street by buying Bankers Trust Corp. awakened new fears Tuesday of lost jobs at home and widened an already deep split between corporate Germany and Bonn's new leftist government.

German business executives and a growing number of politicians allied with the new government said that Bonn had failed to adapt the nation to the global economy, often leaving long lines of layoffs in its wake. Meanwhile, they said, German business had moved ahead, often at high cost and great risk, to remake and internationalize itself.

"Business and politics are drifting apart," said Albrecht von der Hagen, spokesman for the German Industry Federation.

Even as Germany's largest bank announced plans to acquire Bankers Trust, Chancellor Gerhard Schröder came under renewed pressure to rip up his cautious economic program and come

Deutsche Bank Bankers Trust

up with a new one meant to invigorate investment and anachronic near-record unemployment.

The split between business and government is not new, although it is a trend that has accelerated markedly in recent days. German boardrooms and think tanks have criticized the policies of Mr. Schröder's new government as dithering and disjointed ever since the September election.

But this week for the first time they came with new urgency from political heavyweights within Mr. Schröder's own party, further heightening uncertainty over the direction of German economic policy.

Most stinging were fears that Bonn's coalition of Social Democrats and Greens could miss its goal of reducing unemployment because of its muddled tax plans. That warning came from Wolfgang Clement, premier of North Rhine-Westphalia, who has been one of

Mr. Schröder's most important party allies but has become an open critic.

Mr. Clement, a leader in the party's pro-business wing, said Mr. Schröder's tax plan would heap an additional tax burden of 30 billion Deutsche marks (\$17.6 billion) on business and make crucial medium-sized companies into "losers." Mr. Clement opened the door for the party's backbenchers to join the clash within the coalition. Three other influential state premiers from Mr. Schröder's Social Democratic Party threatened Tuesday to block his tax legislation with a veto in the upper house of Parliament that they control.

The new government, which is split ideologically between its labor wing and its modernizers, cannot decide on a single policy and instead has "several programs" that "hinder or contradict each other," the Frankfurter Allgemeine Zeitung said this week. A headline in Die Welt said, "27 Days After the Change of

Government, the New Chancellor Does Not Govern, but Chaos Does."

Mr. Schröder, who already has revised the tax overhaul, is being challenged from inside and outside his party to redraft it again in what would be a significant retreat. The government's council of economic advisers last week accused Mr. Schröder of having "inconsistent" policies that failed to address the issues of competitiveness and jobs.

Deutsche Bank's \$9.2 billion plan to take over the eighth-largest American bank renewed the threat of job losses.

A Deutsche Bank board member, Juergen Krumnow, acknowledged that the bank, which after the acquisition would have 100,000 employees, expected job losses. He did not elaborate.

The bank-sector trade union warned Tuesday that Deutsche Bank's new global strategy would accelerate a merger-and-rationalization trend in the nation's overcrowded bank sector. Some 100,000 white-collar banking jobs will disappear in Germany "in the next few years," Klaus Carlin, a board member of the bank and insurance workers union, predicted in a radio interview.

In Merger Rush, Firms Are Keen To Look Abroad

By Laura M. Holson
New York Times Service

NEW YORK — It looks as if the old days are back. The heady mergers-and-acquisitions wave that crashed in August has returned in full force, with nine combinations worth \$40.4 billion either announced or under negotiation in one day.

While that is less than half the \$90 billion price tag put on two bank deals in one day in April, it is a record all its own. On Oct. 10, there were so many deals valued at \$1 billion or more been announced, according to Securities Data Co. But there were several factors on Monday — a day, as well, of surging stock prices — that distinguished it from all the busiest days that have preceded it this year. Deals are crossing many industry lines — a departure from the bank-and-telecommunication-heavy combinations earlier this year.

And executives are more eager than ever to find partners abroad. Witness Deutsche Bank AG's potential acquisition of Bankers Trust Corp., which is expected to be one of several purchases of U.S. companies by foreign businesses in the coming year.

Europe, too, is expected to see a major boom in merger activity, although not quickly. There are still significant obstacles, such as the tax and accounting rules that vary from country to country, as well as likely opposition from labor unions unused to American-style corporate layoffs.

And in the short term, there are sure to be clashes as companies are compared with their peers in other countries, something that has not been the practice in Europe.

"That sets up a dynamic that you'd better run your company better or get taken over," said Richard Sapp, head of the European mergers-and-acquisitions department at Goldman Sachs International. "And if you lose your job, are you likely to move from Germany to France? That would be difficult."

Just as important, there has been a shift in the mind-set in corporate boardrooms since late summer. Executives who retreated after financial turmoil in Russia and in much of Asia ravaged stocks at home have become bolder and are ready to conduct business as usual.

"The strategic objectives did not change one iota," said Gary Parr, head of mergers and acquisitions at Morgan Stanley Dean Witter, whose firm advised five of the companies that made announcements Monday, including those at Bankers Trust, Netscape Communications Corp. and Unum Corp. "A lot of deals were waiting to be done when the market stabilized. Now that markets have bounced back nicely, managements feel comfortable and are willing to move forward."

AOL, Sun and Netscape Agree on Deal

Compiled by Our Staff From Dispatches

WASHINGTON — America Online Inc. agreed Tuesday to buy Netscape Communications Corp. for about \$4.2 billion in stock, creating a more formidable on-line rival to Microsoft Corp.

The deal, which had been expected, would turn AOL, the world's largest Internet service provider, into a new superpower of the high-tech industry and would end Netscape's dramatic rise as an independent Internet pioneer.

The complex arrangement also involves Sun Microsystems Inc., which would distribute Netscape's business-level software in exchange for purchases of Sun's powerful computers by AOL.

AOL is to swap 0.45 of a share for each Netscape share, valuing Netscape at \$41.99 a share. Netscape's shares fell \$2 to close Tuesday at \$39.925, while AOL rose \$1.50 to \$90.75. In the agreement with Sun, AOL would get \$350 million in licensing and other fees from Sun to sell Netscape software, and AOL would buy \$500 million in services and equipment from Sun, whose shares rose \$1.5625 to \$72.875.

Netscape's customers, browser and Web site would give AOL a bigger

audience on the Internet, while Sun's technology would help AOL expand its service to devices such as pagers.

Netscape's operations are to stay in Mountain View, California. But Netscape's chief executive, James Barksdale, would not have a role in the new company's daily operations, the AOL chairman, Stephen Case, said. Mr. Barksdale would join AOL's board and help with the transition, however.

AOL, which already has more than 14 million subscribers, would become the distributor of Netscape's popular Internet browser software and the owner of two of the four most popular sites on the Web.

Netscape's site, which draws 20 million visitors each month, would continue to be operated separately from AOL, Mr. Case said.

Netscape's Navigator and Communicator browsers are used by 70 million Internet consumers. Mr. Case said AOL would continue to use Microsoft's Internet Explorer browser under a contract that expires Jan. 1.

The announcement of the deal came as Netscape reported that profit for the quarter that ended Oct. 31 fell to \$2.7

million from \$10.2 million a year earlier. Revenue rose 7 percent, to \$162 million.

Attorneys for Microsoft, citing the agreement among the company's rivals, urged the U.S. government Tuesday to drop an antitrust suit in which the Justice Department contends that the software giant engaged in anticompetitive behavior in the browser market.

"The government's case was groundless from the outset," said William Neukom, the Microsoft general counsel. He said the deal "drives home the central point — that the marketplace can take much better care of consumers than can the government seeking to regulate high technology."

Justice Department attorneys said the deal would have little effect on the case against Microsoft.

"The issue in this case is whether Microsoft has a monopoly of the operating system and whether Microsoft improperly used its monopoly power to forestall its competition," a government attorney said. "That issue is going to exist regardless of whether one of the companies gets acquired by another company." (AP, Bloomberg)

CURRENCY & INTEREST RATES

Nov. 24												
Libor-Libor Rates												
Cross Rates												
	\$	£	B.M.	F.F.	DM	Y.F.	Y.F.	Y.F.	Y.F.	Y.F.	Y.F.	Y.F.
American	1.00	1.93	1.71	1.32	0.87	0.73	0.64	0.55	0.46	0.37	0.28	0.19
British	0.52	1.00	0.88	0.68	0.44	0.37	0.31	0.25	0.20	0.15	0.10	0.07
French	0.58	1.15	1.00	0.82	0.54	0.45	0.38	0.31	0.25	0.20	0.15	0.10
German	1.15	0.87	0.88	1.00	0.65	0.54	0.45	0.38	0.31	0.25	0.20	0.15
Italian	1.40	1.05	1.00	0.80	0.50	0.42	0.35	0.28	0.22	0.17	0.12	0.08
Netherlands	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
Spain	1.68	1.28	1.28	0.94	0.60	0.50	0.42	0.35	0.28	0.22	0.17	0.12
Switzerland	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
Japan	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
Portugal	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
Sweden	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
South Africa	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
Switzerland	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
Taiwan	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
Thailand	1.62	1.24	1.24	0.92	0.58	0.48	0.40	0.32	0.25	0.20	0.15	0.10
U.S. Dollar	1.00	1.93	1.71	1.32	0.87	0.73	0.64	0.55	0.46	0.37	0.28	0.19
Yen	0.52	0.52	0.45	0.35	0.25	0.20	0.15	0.10	0.07	0.05	0.03	0.02
Yen (Per)	1.93	1.93	1.65	1.25	0.82	0.69	0.58	0.48	0.39	0.30	0.21	0.12
Yen (Per)	1.93	1.93	1.65	1.25	0.82	0.69	0.58	0.48	0.39	0.30	0.21	0.12
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Y												

EUROPE

IMF Leaves Moscow Without Releasing Aid

Agence France-Presse
MOSCOW — Russia abandoned hope of earning a reprieve from its mounting debt payments Tuesday as another delegation from the International Monetary Fund left without releasing aid to the country.
 IMF negotiators ended their stay here by expressing disappointment with Russia's efforts to improve its tax collection and draft a realistic budget for next year.
 As a result, Russia's attempt to reschedule repayment of \$4.5 billion in IMF loans that came due in 1999, and to fill its empty coffers with currently frozen installments of loan payments, fell flat.
 It was the latest in a string of meetings since Russia's financial collapse in August that have failed

to produce concrete results. But the latest breakdown was especially somber for the estimated 42 million Russians — nearly one-third of the population — who live below the poverty line and rely heavily on foreign help to survive the bitter Russian winter.
 Since 1992, the IMF and World Bank have pledged \$23 billion to Russia. Germany and France alone have offered more than \$3 billion in assistance to Russia since 1996.
 Many of these loans, however, are coming due when Russia can least afford to repay them. Moscow has already announced plans to restructure \$17 billion in foreign debt maturing next year.
 Russia's creditor banks, meeting in London on Tuesday, said they

were considering offering holders of 281 billion rubles (\$16.57 billion) in defaulted domestic debt a way to recoup part of their investment in dollars. But on Tuesday, the IMF refused to reschedule Russia's share of its debt.
 "The IMF does not grant deferrals," Deputy Finance Minister Oleg Vyugin said. "But the Fund could give new credits under certain circumstances."
 Fund officials have not yet scheduled a date for their return to Moscow, although Russian officials say more negotiations will be held in Russia next month.
 Analysts said they expected Russia and the Fund to reach a compromise soon because Russia could not afford to ignore the IMF's pre-

Oil and Gas Joint Venture

Russia's biggest oil producer and its biggest natural-gas company agreed to jointly develop new fields in western Siberia to make up for a shortage of cash for exploration and development as foreign companies pull out of Russian projects, Bloomberg News reported.
 OAO Gazprom and OAO Lukoil said they would jointly create the infrastructure needed for developing Siberian oil reserves and would cooperate in oil and gas transportation as well as in gas refining.
 "We'll cut costs by doing together things which we're now doing separately," said Rem Vyakhirev, Gazprom's chief executive.

Sweden
Again Cuts
Key Rate

Bloomberg News
STOCKHOLM — The central bank cut its benchmark interest rate for the second time this month Tuesday, in the latest move by a European central bank to reduce borrowing costs amid slowing growth and subsiding inflation.
 The Riksbank lowered its securities repurchase rate by a quarter-point, to 3.60 percent, the lowest rate since the bank started using these repurchase agreements in June 1994. Denmark is expected to follow suit this week, analysts said.

So far this month, six European countries have lowered their borrowing costs as economic growth and inflation forecasts were reduced for the region and as 11 nations — not including Sweden — prepared to join a single currency in January. The Swedish rate reduction could help revive investment and economic growth.

"It's definitely positive for us; it removes another obstacle for new building projects," said Gösta Stenroos, director of information at Peab AB, a Swedish construction company. The company expects more business now that financing costs are lower.

Sweden's action coincides with cuts this month by Britain, Spain, Portugal, Denmark and Ireland. In addition to central bank concerns about slowing growth as inflation ebbs, countries in the euro zone must lower their key rates to the 3.30 percent benchmark in time for the Jan. 1 start of the euro. The nations in the euro zone are Germany, France, Italy, Spain, the Netherlands, Belgium, Austria, Finland, Portugal, Ireland and Luxembourg.

"Central bankers are concerned about growth in Europe," said Stephanie Pfeiffer, an economist at Deutsche Bank AG in London, who expects European rates to fall further next year.

Global Slump
Hobbles EMI

Reuters
LONDON — EMI Group PLC, the British music giant, posted a sharp drop in first-half profit Tuesday and held out little hope for an improvement in the full year because of weak global markets outside the United States.
 EMI said pretax profit fell 11 percent, to £68.6 million (\$113.38 million), in the half-year that ended in September. The results exclude losses at HMV Media Group, of which EMI owns 43 percent. Including those losses, as well as amortization and other items, EMI's pretax profit was £41.7 million, short of analysts' forecasts of £45 million to £50 million.

EMI's shares fell 3 pence to close at 361. The shares had rallied recently because of speculation about a possible takeover by Bertelsmann AG of Germany or by News Corp., the global media empire controlled by Rupert Murdoch.

EMI, which has a roster of musicians including the Beatles, the Spice Girls and Smashing Pumpkins, said a weak performance in the Asia-Pacific region, Latin America and Europe had offset strength in North America. Despite strength in the U.S. market, EMI's full-year profit in North America is unlikely to grow at the same rate because its U.S. schedule of music releases was weighted toward the first half.

Some in OPEC Favor Longer Output Cuts

Bloomberg News
VIENNA — With oil prices at their lowest level in a decade, signs emerged Tuesday that members of the Organization of Petroleum Exporting Countries were in favor of extending a reduction in output.
 OPEC members support extending the cuts — now scheduled to expire in mid-1999 — for six months longer, a source familiar with Gulf states' oil policies said. OPEC members will decide whether to extend or deepen their production cuts, or do both, at a meeting Wednesday.

A deeper production cut has not been ruled out, the source said. But

analysts said that while such a move would make sense, it was unlikely because most OPEC members are strapped for cash and fearful of losing customers to non-OPEC producers.

"They need to do something more than roll over the existing cuts," said Jim Short, a broker with PVM Oil Futures Ltd. in London. "The market is telling them that they need to make more cuts."

Ten of OPEC's 11 members agreed to cut production in March and then deepened those cutbacks in June, pledging to slash their production by 2.6 million barrels a day, or 9.6 percent, for one year.

The cuts have failed to reduce a glut of oil or to lift prices.

Brent crude oil for January delivery was up 5 cents to \$11.35 a barrel late Tuesday in London. The contract fell to \$11.15 a barrel last week, the lowest since the contract began trading a decade ago.

"There is too much oil on the market," said the Venezuelan oil minister, Erwin Arieta.

Kuwait and Algeria are expected to call for more cuts when the group meets Wednesday. But the three largest OPEC producers, Saudi Arabia, Iran and Venezuela, have made it clear that they are unlikely to support additional cuts.

AT&T and BT Face Further EU Scrutiny

Bloomberg News
BRUSSELS — AT&T Corp. and British Telecommunications PLC are likely to face as much as four more months of European Union scrutiny of their global joint venture, a senior EU official said Tuesday, signaling antitrust concerns.

The announcement by the official, who asked not to be identified by name, means the planned \$10 billion joint venture between the largest U.S. and British phone companies, which is to offer voice,

data and Internet services to corporations, might not receive a final EU ruling until early April.

EU regulators have said they are looking particularly closely at their combined 20 percent share of the cables that carry calls between the United States and Europe. Even so, the surge of competition from MCI WorldCom Inc. and other rivals laying down phone lines means the venture is unlikely to dominate transatlantic traffic, analysts said.

The BT-AT&T venture is being reviewed under EU rules, which allow the European Commission to extend its initial one-month review by as much as four months if it has "serious" concerns that the venture may claim an excessive share of EU markets.

Rush for Telecom Shares

Public response to the pending sale of France Telecom SA shares has prompted the government to increase the number of shares being sold from 42 million to 47 million, Agence France-Presse reported.

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
5500	5100	4400
5000	5000	4300
4500	4900	4200
4000	4800	4100
3500	4700	4000
3000	4600	3900
2500	4500	3800
2000	4400	3700
1500	4300	3600
1000	4200	3500
500	4100	3400
0	4000	3300

Exchange	Index	Tuesday Close	Prev. Close	% Change
Amsterdam AEX		1,116.51	1,130.65	-1.27
Brussels BEL-20		3,245.20	3,255.54	-0.33
Frankfurt DAX		4,958.82	5,018.12	-1.20
Copenhagen Stock Market		607.48	612.49	-0.82
Helsinki HEX General		4,846.92	4,814.95	+0.65
Oslo OBX		516.87	516.27	+0.12
London FTSE 100		5,798.30	5,848.40	-0.86
Madrid Stock Exchange		832.44	830.41	+0.24
Milan MIBTEL		21,859	22,152	-1.36
Paris CAC 40		3,638.38	3,645.81	-0.17
Stockholm SX 16		3,798.23	3,842.34	-1.15
Vienne ATX		1,130.45	1,133.78	-0.29
Zurich SPI		4,496.77	4,582.84	-1.88

Very briefly:

- Eidos PLC, a European publisher of entertainment software, said its net loss widened 15 percent from a year earlier to the six months that ended Sept. 30, to £13.8 million (\$22.8 million), on increased marketing costs and a 70 percent decline in the value of its stake in Opticom AS of Norway.
- Sorin Biomedica SpA, Italy's biggest medical-equipment company, agreed to buy COBE Laboratories Inc., a U.S.-based maker of products used in open-heart surgery, from Gambro AB for \$267 million.
- PolyGram NV bought a 70 percent stake in B&M Music to become the market leader in the Czech Republic, with a 20 percent market share. Terms of the deal were not disclosed.
- KPN NV plans to cut national call rates an average of 10 percent Jan. 1, cutting an estimated 330 million guilders (\$171.7 million) from the Dutch phone company's annual sales.
- Airtours PLC said it planned to look for acquisitions next year after the company, Britain's second-largest package-holiday company, issued £250 million in bonds. It also reported a pretax profit of £140.3 million for the year ended Sept. 30, or 33 percent, as revenue grew 17 percent, to £3.06 billion.
- Union Bancaire Privée SA, a closely held Swiss bank with about \$35 billion in assets under management, set up a subsidiary in Paris as a first step in expanding in institutional fund management in the euro-zone countries.
- Germany's competition watchdog, the Federal Cartel Office, fined the Italian clothing maker Benetton SpA 2.5 million Deutsche marks (\$1.5 million) over allegations of price-fixing in Germany.
- Marston, Thompson & Evershed PLC, a British brewer and pub operator, plans to cut 90 jobs, or 1.8 percent of its work force of 5,000, mostly at its Burton, England, headquarters, in a cost-cutting effort.

WORLD STOCK MARKETS

Tuesday, Nov. 24
 Daily prices in local currencies

High	Low	Close	Prev.
Amsterdam	11,145.1	11,145.1	11,145.1
Brussels	3,245.2	3,245.2	3,245.2
Frankfurt	4,958.8	4,958.8	4,958.8
London	5,798.3	5,798.3	5,798.3
Madrid	832.4	832.4	832.4
Milan	21,859	21,859	21,859
Paris	3,638.4	3,638.4	3,638.4
Stockholm	3,798.2	3,798.2	3,798.2
Vienne	1,130.4	1,130.4	1,130.4
Zurich	4,496.8	4,496.8	4,496.8

High	Low	Close	Prev.
Amsterdam	11,145.1	11,145.1	11,145.1
Brussels	3,245.2	3,245.2	3,245.2
Frankfurt	4,958.8	4,958.8	4,958.8
London	5,798.3	5,798.3	5,798.3
Madrid	832.4	832.4	832.4
Milan	21,859	21,859	21,859
Paris	3,638.4	3,638.4	3,638.4
Stockholm	3,798.2	3,798.2	3,798.2
Vienne	1,130.4	1,130.4	1,130.4
Zurich	4,496.8	4,496.8	4,496.8

High	Low	Close	Prev.
Amsterdam	11,145.1	11,145.1	11,145.1
Brussels	3,245.2	3,245.2	3,245.2
Frankfurt	4,958.8	4,958.8	4,958.8
London	5,798.3	5,798.3	5,798.3
Madrid	832.4	832.4	832.4
Milan	21,859	21,859	21,859
Paris	3,638.4	3,638.4	3,638.4
Stockholm	3,798.2	3,798.2	3,798.2
Vienne	1,130.4	1,130.4	1,130.4
Zurich	4,496.8	4,496.8	4,496.8

High	Low	Close	Prev.
Amsterdam	11,145.1	11,145.1	11,145.1
Brussels	3,245.2	3,245.2	3,245.2
Frankfurt	4,958.8	4,958.8	4,958.8
London	5,798.3	5,798.3	5,798.3
Madrid	832.4	832.4	832.4
Milan	21,859	21,859	21,859
Paris	3,638.4	3,638.4	3,638.4
Stockholm	3,798.2	3,798.2	3,798.2
Vienne	1,130.4	1,130.4	1,130.4
Zurich	4,496.8	4,496.8	4,496.8

High	Low	Close	Prev.
Amsterdam	11,145.1	11,145.1	11,145.1
Brussels	3,245.2	3,245.2	3,245.2
Frankfurt	4,958.8	4,958.8	4,958.8
London	5,798.3	5,798.3	5,798.3
Madrid	832.4	832.4	832.4
Milan	21,859	21,859	21,859
Paris	3,638.4	3,638.4	3,638.4
Stockholm	3,798.2	3,798.2	3,798.2
Vienne	1,130.4	1,130.4	1,130.4
Zurich	4,496.8	4,496.8	4,496.8

High	Low	Close	Prev.
Amsterdam	11,145.1	11,145.1	11,145.1
Brussels	3,245.2	3,245.2	3,245.2
Frankfurt	4,958.8	4,958.8	4,958.8
London	5,798.3	5,798.3	5,798.3
Madrid	832.4	832.4	832.4
Milan	21,859	21,859	21,859
Paris	3,638.4	3,638.4	3,638.4
Stockholm	3,798.2	3,798.2	3,798.2
Vienne	1,130.4	1,130.4	1,130.4
Zurich	4,496.8	4,496.8	4,496.8

High	Low	Close	Prev.
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Frankfurt	4,958.8	4,958.8	4,958.8
London	5,798.3	5,798.3	5,798.3
Madrid	832.4	832.4	832.4
Milan	21,859	21,859	21,859
Paris	3,638.4	3,638.4	3,638.4
Stockholm	3,798.2	3,798.2	3,798.2
Vienne	1,130.4	1,130.4	1,130.4
Zurich	4,496.8	4,496.8	4,496.8

High	Low	Close	Prev.
Amsterdam	11,145.1	11,145.1	11,145.1
Brussels	3,245.2	3,245.2	3,245.2
Frankfurt	4,958.8	4,958.8	4,958.8
London	5,798.3	5,798.3	5,798.3
Madrid	832.4	832.4	832.4
Milan	21,859	21,859	21,859
Paris	3,638.4	3,638.4	3,638.4
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www.bse-india.com	Pressure: 27.12	Rollat V	36.30	
		Sompo Ins: A	180.00	
		UPM Kymmene	134.00	
Rollat Auto	557.00	552.00	555.75	557.50
State Hy El	259.00	248.70	249.70	254.60
State Petrol	261.80	248.70	261.10	261.00
State Power	1674.75	1593.00	1595.25	1609.00
State Trans	1674.75	1593.00	1595.25	1609.00

ASIA/PACIFIC

Singapore
Cuts Wages
To Aid Firms

Compiled by Our Staff From Dispatches

SINGAPORE — The government detailed sweeping pay cuts for civil servants and private-sector workers Tuesday as part of an effort to help pull the island out of recession and sharpen its competitive edge against lower-cost neighbors.

Deputy Premier Lee Hsien Loong, calling the economic crisis in Asia the island's worst problem since independence in 1965, announced a raft of measures to cut business costs by 10.5 billion Singapore dollars (\$6.4 billion) a year.

"This will be done mainly through a reduction in employer contributions to a state pension fund from 20 percent to 10 percent of workers' salaries for the next two years and wage cuts of 5 percent to 8 percent."

The plan — first announced in broad terms Nov. 11 — also includes a widening of the budget deficit, tax rebates for companies, cuts in utilities, rental and transport charges, and a reduction in petroleum duties. Personal tax rebates are being worked out as part of the budget proposals for the next financial year, Mr. Lee said.

Singapore has been spared the worst of the Asian turmoil because of its high currency reserves, negligible debt and other strong economic fundamentals, but the economy has slipped into recession after posting 7.8 percent economic growth in 1997.

While the cost-cutting may help prevent the economy from shrinking next year, Mr. Lee said, a recovery "depends on developments in the region and the broader international economy."

The government is hoping that cutting costs will make Singapore more competitive with its neighbors and avert the need for a further weakening of the Singapore dollar. The currency has fallen 14 percent against the U.S. dollar since July 1997, compared with a more than 40 percent plunge in currencies such as the Malaysian ringgit and the South Korean won.

The package detailed Tuesday is projected to reduce government revenue by 3 billion Singapore dollars.

Together with a 2 billion-dollar stimulus plan unveiled in June, the measure will cause Singapore's budget deficit to reach about 1 percent of gross domestic product this year and perhaps 3 percent or 4 percent next year, Mr. Lee said. It will be the first deficit for the island-state in more than a decade. (AFP/Bloomberg)

Seoul Seeks to Soothe U.S. on Steel

Korean Firms to Try Persuasion in Face of Dumping Allegations

By Don Kirk
International Herald Tribune

SEOUL — South Korea hopes to cool the anger of U.S. steel producers through a public-relations campaign, rather than by making concessions, a senior official indicated Tuesday.

The state minister for trade, Han Duck So, said the government was sending a group of South Korean steel manufacturers and policymakers to the United States in hope of convincing influential Americans that Korean companies are not "dumping" steel, or selling it at below-market prices, in the United States.

Rejecting the claims of U.S. manufacturers, Mr. Han said he wanted Americans to understand that South Korea was neither subsidizing its steel manufacturers nor ordering banks to "extend special low-interest loans to producers."

"It is certain that the Korean industry is not subject to subsidy and directed lending," said Mr. Han, even though "some perceptions are still lingering on."

While on a visit to South Korea

last week, President Bill Clinton relayed the concerns of U.S. steel producers to President Kim Dae Jung. Secretary of Commerce William Daley, accompanying Mr. Clinton on the trip, warned of the danger of rising trade friction between the two countries. On several occasions, he characterized 1998 as "the year of financial crisis" in South Korea while expressing the fear that 1999 would be "the year of trade crisis."

Korean officials denied that Mr. Clinton and Mr. Kim had expressed misgivings about trade, even though Mr. Clinton warned against protectionist tendencies in both the United States and South Korea.

"Basically, the new government here is in favor of free trade," said You Jong Keun, a key economic adviser who met with Mr. Clinton during his visit. "There is a temptation to protectionism," he said, "but we made a decision for openness."

South Korean companies sold \$1.32 billion of steel in the United States in the first nine months of this year, up 68.4 percent from the like period last year, according to

U.S. Commerce Department figures. South Korean exports to the United States totaled \$17.4 billion in the same period, up 2.4 percent, while U.S. exports to South Korea came to \$10.7 billion, down 43.4 percent.

American and European steel manufacturers complain that banks, propped up by government funds, are subsidizing weak South Korean specialty-steel companies through low-interest loans. At the same time, they say, the government-owned Pohang Iron & Steel Co., also known as POSCO, is exporting iron and steel at below-market prices.

So far, the Commerce Department has not found that South Korean manufacturers have been dumping steel on U.S. markets, though it has ruled that Japanese and Russian steelmakers are pricing their products too low.

Mr. Han said he hoped the mission would succeed in convincing the Americans that the devaluation of the South Korean won was responsible for a drop in the price of South Korean motor vehicles as well as of steel on U.S. markets.

Stalled Talks
Endanger
Cathay Bid

Compiled by Our Staff From Dispatches

MANILA — Cathay Pacific Airways' planned investment in Philippine Airlines Inc. appeared in doubt after a government official said Tuesday that the Philippine carrier had broken off talks and resumed negotiations with Northwest Airlines Inc.

Ronald Zamora, executive secretary to President Joseph Estrada of the Philippines, said Lucio Tan, the chairman of Philippine Airlines, had flown to the United States to resume talks with Northwest after Cathay made "unacceptable" demands that included firing some 200 pilots.

"Mr. Tan said he has an obligation to those pilots and that it would be bad to enter a deal that will kick out those who were loyal to him during rough times," Mr. Zamora said.

In Hong Kong, Katherine Wang, a spokeswoman for Cathay Pacific, said talks with Philippine Air had not ended. Cathay has been studying an investment — a 40 percent stake that analysts say would cost about \$130 million — for about three months, she said, adding, "We can confirm that negotiations with PAL continue. We don't want to comment on what other people are saying."

Some analysts said Cathay Pacific might be better off without making an investment in PAL.

Facing a slump in business, Cathay Pacific has enough problems of its own and does not need to be burdened by PAL's woes, said Robert Sassoon, an analyst at SG Securities.

Cathay Pacific's prospects for the next two years are already "looking very gloomy because of the regional economic crisis," he said, adding, "This is just one layer of uncertainties being removed."

Mark Simpson, an analyst at Nomura Securities International, said, "It would be a good thing if the deal were off, as I don't see Philippine Airlines as that good an investment for Cathay." But, he added, "Northwest Airlines is an unlikely savior for Philippine Airlines. How much traffic there is between the U.S. and the Philippines?"

PAL, which suspended operations for two weeks starting Sept. 23 after it stopped servicing its debts, reported heavy losses for its most recent quarter. It says a capital infusion is needed to bring the carrier back to profitability.

(Bloomberg/Reuters)

Investor's Asia				
Hong Kong		Singapore		Tokyo
Hang Seng		Straits Times		Nikkei 225
11000	1500	17000		
12000	1400	16000		
8000	1200	15000		
6000	1100	14000		
4000	1000	13000		
2000	900	12000		
0	800	11000		
J J A S O N		J J A S O N		J J A S O N
1998		1998		1998
Exchange	Index	Tuesday	Prev.	%
		Close	Close	Change
Hong Kong	Hang Seng	10,551.71	10,514.53	+3.21
Singapore	Straits Times	1,412.90	1,376.94	+2.61
Sydney	All Ordinaries	2,760.20	2,747.68	+0.46
Tokyo	Nikkei 225	15,164.84	14,779.84	+2.60
Kuala Lumpur	Composite	488.65	477.17	+2.52
Bangkok	SET	383.56	390.43	-1.73
Seoul	Composite Index	460.78	453.85	+1.50
Taipei	Stock Market Index	7,435.84	7,312.26	+1.69
Manila	PSE	1,961.25	1,822.36	+7.63
Jakarta	Composite Index	420.08	424.99	-1.16
Wellington	NZSE-40	1,985.71	1,986.58	-0.46
Bombay	Sensitive Index	2,903.56	2,915.57	-0.55

Source: Telexplus

International Herald Tribune

Very briefly:

■ **Aves Inc.**, the No. 2 Japanese recording company after Sony Music Entertainment (Japan) Inc., said its first-half parent net profit fell 23 percent, to 1.21 billion yen (\$10 million) as the company's tax burden more than doubled. Pretax profit rose 24 percent, to 2.5 billion yen, and sales rose 2 percent, to 22.8 billion yen. The company predicts that full-year profit will rise 23 percent, to 3.58 billion yen.

■ **Guangdong Enterprises (Holdings) Ltd.** made a \$22.2 million coupon payment on a \$500 million 10-year Yankee bond due in 2007. Merrill Lynch & Co. said. The payment, coming in the wake of an \$8.75 million default by the financial arm of Guangdong International Trust & Investment Co. eased concern over Chinese government bonds, analyst said.

■ **Indonesia plans** to sell stakes in just six state companies this fiscal year, instead of the 12 originally planned as one of the conditions for a \$49 billion international aid package. By the end of March, stakes will be sold in the cement company PT Semen Gresik, the international telecommunications company PT Indosat, PT Pelindo, PT Angkasa Pura II, PTP Nusantara IV and one that has yet to be named.

■ **PT London Sumatra Indonesia**, one of Indonesia's biggest palm-oil producers, said it was likely to reschedule about \$162 million in foreign debt by the first quarter of 1999. The company, which has about \$70 million due now, is the latest in a string of Indonesian companies talking to foreign creditors and putting its expansion plans on hold.

■ **Taiwan's gross domestic product** grew an annual rate of 4.66 percent in the third quarter, slightly below expectations.

■ **South Korea plans** to spend about \$30 billion — most of its budget for investment projects in 1999 — in the first six months of next year to help speed up an economic recovery. The government proposed total spending of 80.57 trillion won (\$64.74 billion) for next year, of which about two-thirds will be spent on infrastructure and investment projects.

■ **SembCorp Industries Ltd.**, one of the biggest Singapore industrial groups, said its Pacific Internet unit, an Internet service provider, was seeking to raise as much as \$37.5 million through a sale of shares in the United States. (Bloomberg/Reuters)

DEFLATE: Economists Ponder a Plague From the Past

Continued from Page 1

the deflationary abyss that everyone is talking about," said James Paulsen, chief investment officer of Norwest Investment Management in Minneapolis. Or, he said, "this could be the deflationary boom."

Already, portfolio managers are rethinking the kinds of stocks they own as they confront a changing environment. Many companies are finding that they cannot easily raise prices and are facing the deflationary effects of economic turmoil in regions like Southeast Asia.

There is no need to swoon. As noted by Richard Hoey, chief economist at Dreyfus Corp., investment mistakes tend to be made whenever people work with "giant investment scenarios" — often in response to scattered current events that they extrapolate into overarching trends. Mr. Hoey remembers when people pontificated about triple-digit inflation in the early 1980s — just as inflation was peaking.

Still, if something new is going on here, it makes sense to think about the implications.

What distinguishes the kind of

deflation that destroys nearly everything in its path from the good deflation that marks a productive economy? Demand. As long as falling prices encourage people to keep buying in greater volumes, the overall economy can continue to hum along. When people stop buying, because they start losing their jobs or want to put off their purchases, deflation can spiral into depression.

Such potentially demand-destroying events are unfolding in countries such as Indonesia. For now, the country is experiencing high inflation, because it devalued its currency, the rupiah. But Indonesia is awash in people who can no longer afford to consume — unemployment is rising, with roughly a fifth of workers now unemployed — and its economy is expected to contract by at least 15 percent this year. High rates of inflation like those in Indonesia, a result of higher prices for imports, can foreshadow deflation as countries sink into depression.

The United States last saw devastating deflation during the Depression, when unemployment soared and wages fell faster than prices. But only the most alarmist thinkers paint

a picture in which 1930s-style deflation would be unleashed on America today, when stocks and real estate are not nearly as overvalued as they were in the 1920s, the banking system is healthier and the Fed is likely to act more decisively.

"Monetary policy can prevent depressions," said Charles Calomiris, an economics and finance professor at Columbia University, "and we have a Fed that is extremely attuned to those kinds of threats."

One has to hope so. In a vicious deflation, assets such as real estate and stocks go into free fall. Very little is spared, and the wreckage is magnified by the borrowing that companies and individuals undertook to buy those assets, as collateral collapses in value and margin calls on stocks mount.

"If it's ugly deflation, you'll want to get out of stocks," said David Tice, who runs his own money-management firm in Dallas. He sees the United States facing sharp deflation — a result of the popping of a credit-induced bubble — that could wipe out about half the current value of the stock market, sending share prices to levels last seen in 1995.

NYSE

Tuesday's 4 P.M. Close

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WORLD ROUNDUP

AS Roma Wins on Penalty Kick

SOCCER Francesco Totti converted a penalty kick in second-half injury time to give AS Roma a 1-0 victory against FC Zurich in their third-round, first-leg game of the UEFA Cup on Tuesday in Rome.

Zurich players bitterly protested the referee's decision to grant the home team a penalty when Totti was pushed by a defender, Franco Di Jorio, close to the Swiss net as he tried to reach a long cross in the 91st minute.

Totti's goal extended Roma's unbeaten streak to 15 games at Rome's Olympic stadium but failed to excite fans who occasionally booed the unimpressive play of the home team before the late-game winner.

"We suffered much more than expected and needed some luck to win the game," said Roma's Czech coach, Zdenek Zeman.

The Russian forward Igor Kolyvanov scored one goal and set up two others as Bologna trounced visiting Real Betis, 4-1, in their UEFA Cup contest.

Kolyvanov fed the Italian striker Daniele Fontolan for the opening goal, in the 26th minute, which gave Bologna a 1-0 halftime lead. The Russian forward made it two in the 52nd with a left-footed drive from a few meters away as he got the pass from Kennet Andersson.

The young Brazilian Eriberto scored Bologna's third goal in the 58th, kicking in a rebound off a shot by Kolyvanov which hit the bar.

Newcastle Reaches Out for Ferguson

SOCCER Ruud Gullit moved to bolster his struggling Newcastle team Tuesday by landing the Everton striker Duncan Ferguson in a £7-million (\$11.5-million) deal.

The transfer was announced the morning after Everton beat Newcastle, 1-0, at Goodison Park. The 26-year-old former Scottish international, who signed a 5½-year contract, is set to team up with the English national team's captain, Alan Shearer.

Ferguson, a folk hero at Everton, is Gullit's first major signing since he took over at Newcastle following the firing of Kenny Dalglish. Gullit hopes the Ferguson-Shearer tandem will provide the firepower the Magpies have been lacking all season.

Joe DiMaggio Said to Be Gravely Ill

BASEBALL Joe DiMaggio, who has been hospitalized for more than a month, has lung cancer and had a heart attack last week, the TV station WPIX reported.

The station, which has televised New York Yankees games for 48 years, on Monday night cited three sources who spoke on condition of anonymity. WPIX news executives declined to elaborate on the sourcing.

DiMaggio's lawyer denied that the Hall of Famer, who turns 84 on Wednesday, had a heart attack or was gravely ill.

"This is totally false," Morris Engelberg said Tuesday. "Mr. DiMaggio and his family heard this information on the television and were very upset."

WTUV-TV, an NBC affiliate in Miami, also citing unidentified sources close to DiMaggio, said it confirmed he had a heart attack and has lung cancer. The station also said he was on a life-support system.

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Fridays
and
Saturdays
are

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THE WORLD'S DAILY NEWSPAPER

Sampras Drubs Kafelnikov to Open Season Finale

The Associated Press
HANNOVER, Germany — Pete Sampras began his bid to make tennis history Tuesday by beating Yevgeni Kafelnikov, 6-2, 6-4, at the start of the ATP World Championship.

Sampras, seeking to become the first man to finish the season ranked No. 1 for six years in a row, crushed the same opponent he beat in last year's final, when he won his fourth title in the elite season-ending tournament.

"I don't want to say it was a statement, but I definitely was very focused," Sampras said. "I think the guys know that this is an important week and it showed."

"I just hope I can maintain this level throughout the week, which is not going to be easy. But today was definitely a good start."

In a battle between the other two players in Sampras's group, Carlos Moya rallied to beat Karol Kucera, 6-7 (5-7), 7-5, 6-3. In the last match of the day, Tim Henman defeated Marcelo Rios, 7-5, 6-1.

Moya, the French Open champion, won his first indoor match of the year, after going 0-5 until Hannover. The Spaniard turned the match in the second set, when Kucera first double-faulted to give Moya a set point and then hit a simple forehand into the net.

Moya had a decisive break of service in the third set of the match that lasted two and a half hours.

Sampras rolled through the first set with his powerful serve-and-volley game, making few errors and keeping Kafelnikov on the defensive. Sampras also broke the

Russian's serve in the opening game of the second set. But Kafelnikov battled back when his passing shots found their range and he pulled level at 3-3.

It proved to be a brief revival for Kafelnikov. Sampras won the next two games and had a match point at 5-3, but Kafelnikov hit a service winner to save himself.

Sampras had trouble closing the match. He wasted four more match points, one on a double-fault and had to fight off a break point. But two straight backhand errors by Kafelnikov finally gave Sampras the victory after 66 minutes.

"I definitely had a lot of work to do in the second set," Sampras said. "I didn't want to do what I did last year when I lost my first match and played a little bit flat. I didn't want to dig myself into a hole, having to win my next two matches."

Kafelnikov was the last player to clinch a place in the \$3.5 million tournament that brings together the eight players with the best results over the year. The round-robin portion consists of two four-man groups, with two players from each advancing to the semifinals.

Sampras now has a 10-2 career lead over Kafelnikov and has won their last six matches. He beat Kafelnikov in three quick sets in last year's final.

To remain ahead of Rios, Sampras just has to keep pace with the Chilean. Rios needs to win at least two round-robin matches to have a shot at No. 1.

Sampras has finished the last five years as No. 1 in the



Pete Sampras hitting a backhand return to Yevgeni Kafelnikov at the ATP World Championship on Tuesday.

world, a record he shares with Jimmy Connors, his fellow American who did it from 1974 to 1978.

McEnroe's Modesty?

John McEnroe claims he's better than any current doubles player in the world, could beat most in singles, and says he "almost fell over laughing" at the field in last week's World Doubles Championship. The Associ-

ated Press reported from London.

McEnroe, in an interview Tuesday in London's Daily Mail, also ripped Sampras.

McEnroe, 39, said he was fit enough to hold his own on the ATP Tour.

"I am still better than any of the doubles players who have played for America in any of the matches since I retired," he was quoted as saying. "I have no doubt in

my mind I am better than any of the doubles players in the world."

"I watch these guys on the main professional tour and I'm not too impressed," he said of the singles players. "On a given day I could lose to hundreds, but there's also a given day where I could beat most of them. They'd be sorry guys."

He added: "When I looked at the people in the World

Doubles Championship last week, I almost fell over laughing."

On Sampras: "I don't want to sound cynical, but I hope he realizes now how nice it would be to end up No. 1 again on the computer. It is a great achievement and certainly he is underestimating the whole tour by claiming that all that matters to him are the majors. He has been doing this for years."

Big Clubs on the Edge in Politics-Torn Champions League

International Herald Tribune

LONDON — Long nights are drawing in, and the UEFA Champions League is getting real. After four rounds in which the league format trundled along, assuring everyone of more pay-nights to come, the tournament suddenly has a knock-out compulsion.

Big clubs are on the edge. Barcelona against Manchester United and Internazionale against Real Madrid are virtually winner-take-all contests. In earlier rounds, avoiding defeat was enough; now, one point is too little as Wednesday shows us who dares and who deserves to qualify for the quarterfinals.

The Nou Camp in Barcelona will thro to 112,000 fans. At San Siro in Milan, 80,000 will bay for victory. At Wembley and in Lisbon, Kiev and Munich, the local partisans will try to breathe intensity into their teams.

But in the Ali Sami Yen arena in Istanbul, there will be darkness and silence. There should have been a tumultuous match — Galatasaray vs. Juventus, Turkey vs. Italy, underdog vs. aristocrat.

Alas, another sign has gone up: Politics Stops Play.

Abdullah Ocalan, the Kurdish rebel leader, is under house arrest in Rome. Italy is

resisting Turkish demands for his extradition, and flags are burning outside the stadium where the champions of each nation were due to meet.

Gianni Agnelli, the patron of Juventus appealed for the game to be postponed or moved to a neutral venue. His club, which we must remember lost 39 supporters at the 1985 Heysel Stadium tragedy, can never again take security on trust.

"The crises is too hot and too recent for the game to be staged in two days' time," said Gerhard Aigner, UEFA's general secretary on Monday. UEFA announced a seven-day postponement, with the intention of playing the tie at Ali Sami Yen on Dec. 2.

Compromise in this case is better than risking life and limb, better than inflaming political and ethnic ire by supposing sport has immunity from life. Yet it is unlikely that a week will withdraw the sting from this situation. UEFA cannot resolve issues of international politics, and within the week must probably concede that sporting law has to give way to safety.

Damned if they do, damned if they do not, the soccer rulers will surely give Juventus what it wants, an "easier" away match removed from the turbulence of Turkey. A pity, but

such is life.

Winning and losing on the soccer pitch thus takes on a secondary importance, although Luigi Simoni and Louis van Gaal might not see it that way. They, the coaches for Internazionale and Barcelona, two of the world's major clubs, are looking down the barrel of dismissal if their teams finish anything but winners on Wednesday.

Inter Milan, the team built around Ronaldo — whose knees are seldom fit for action — has stood by Coach Simoni despite the team's current eighth-place position in Italy's Serie A. The club's president, Massimo Moratti, is trying to resist the clamor to replace the coach he installed last year because the failure of the trainer implies the failure of the man who chose him.

Moratti knows results are bad. He knows that the weakness of the flesh, of Ronaldo, of Roberto Baggio and others, is not the fault of the coach. But everyone has injuries. A World Cup year, with its unremitting strain on the limbs and the minds of star players, cripples most clubs. And Inter's visitor, Real Madrid, also loses Spanish league matches it should win while

the likes of Fernando Hierro and Christian Karembeu are missing because of injuries.

A drawn game at San Siro would suit Real, but not suffice for Inter. Barcelona is staring at the abyss. Everyone knows there are tensions around Nou Camp, where van Gaal offers the Catalans a style and a squad heavily influenced by his former club, Ajax. He wrestles with the perennial dilemma: There are not enough Catalans to make a Champions League team, and not enough tolerance in such a politically motivated region to applaud foreigners winning in foreign ways — even for them.

Van Gaal's immediate struggle is to beat Manchester United. Both teams, in fact, need to win because Bayern Munich is also in the group and more than likely to dispose of Borussia on Wednesday.

In all but the Champions League, Manchester United grows and grows: The club is subject to a £623 million (£1.02 billion) takeover by Rupert Murdoch and BSkyB television, its annual profit (£30 million) has just been announced, and the Manchester stadium is about to be en-

larged again to accommodate 67,400 supporters.

But 30 years have passed since United conquered the Continent and, like Barcelona, the Manchester team has shown an alarming tendency to lose concentration and lose league games. One cause is the craving to fill the trophy cabinet with the big one, the cup of champions.

Roh Hughes is chief sports writer for The Times of London.

UEFA Chiefs Meet

The Associated Press

GENEVA — The chiefs of Europe's national soccer federations discussed the proposed new structure for UEFA's club competitions Tuesday but failed to agree on the nitty-gritty of when and how to proceed.

It will now be up to UEFA's executive committee to decide in December whether to start the planned new Champions League and merged UEFA Cup next year or in 2000, said UEFA's general secretary, Gerhard Aigner. Last month, representa-

tives of major clubs agreed not to join a breakaway Super League after UEFA proposed changing its Champions League, offering teams more money.

UEFA promised to expand next season's Champions League from 24 teams to 32 clubs, playing in eight groups of four teams in the first stage. It also proposed to merge the UEFA Cup and Cup Winners' Cup. Top clubs want the new competitions to begin next season to maximize their potential earnings.

SCOREBOARD

ICE HOCKEY

NHL Standings

EASTERN CONFERENCE

ATLANTIC DIVISION

W L T Pts GF GA

New Jersey 11 6 1 23 42 42

Pittsburgh 9 6 2 21 45 46

Philadelphia 9 6 4 22 50 39

N.Y. Islanders 9 11 0 22 53 55

N.Y. Rangers 4 9 5 13 47 52

NORTHEAST DIVISION

Toronto 11 8 2 24 63 61

Ottawa 9 9 2 21 47 46

Buffalo 8 8 4 20 40 49

Boston 7 7 5 19 50 41

Montreal 7 10 2 18 47 45

SOUTHEAST DIVISION

Carolina 8 10 3 19 53 55

Florida 7 9 3 19 47 51

Washington 6 9 3 15 42 50

Tampa Bay 6 11 2 14 43 71

WESTERN CONFERENCE

CENTRAL DIVISION

Detroit 10 8 2 20 57 46

St. Louis 7 8 5 19 47 46

Nashville 7 10 1 15 45 55

Chicago 5 12 3 13 39 70

NORTHWEST DIVISION

Edmonton 10 9 1 21 60 50

Vancouver 9 10 1 19 52 53

Calgary 8 9 3 19 47 51

Colorado 7 11 2 16 53 63

PACIFIC DIVISION

Dallas 11 7 2 25 47 34

Phoenix 11 7 2 24 42 42

Anaheim 8 7 4 20 46 42

Los Angeles 6 12 3 15 49 59

San Jose 6 12 3 15 42 47

MONDAY RESULTS

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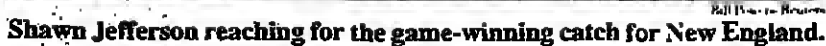
85th Period: C-Sure 8 (Horsley, Fawcett)

86th Period: C-Sure 8 (Horsley, Fawcett)

هكذا من الله على

By Mike Freeman
New York Times Service

Bledsoe, who whacked his hand on the helmet of a Miami player late in the fourth quarter, threw an incomplete pass on third down with less than two



Both offenses were at times dreadful and there were numerous bad calls by officials, including one on a pass play that made Johnson so angry he ran along the sideline waving his arms and screaming for a penalty.

The Associated Press

"I spent three years leaving my professional career, working at something like half my income, not seeing my wife and family for months on end to try and

"I'm surprised and disappointed and I would have thought his decision was unnecessary," Gosper said. "It's a pity he hadn't chosen to talk to one or two

Iliffe died last year after a long illness.

The Associated Press

"It seems incredible that something like this happened. We only needed a few hundred meters. You can't have worse luck than that."

Andrew Cowan of the Mitsubishi team, said: "I've been in rallying for 30

Stony Roll-Ins

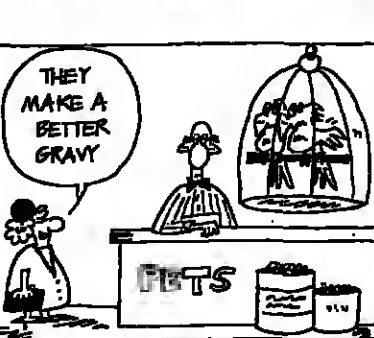
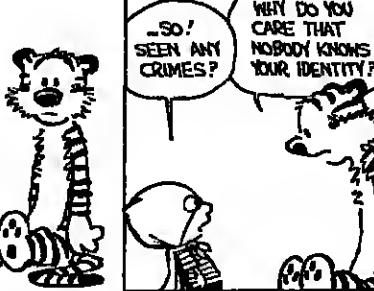
Sink Sharks

The Associated Press

Maple Leafs 3, Flames 2 Sylvain Cote scored at 7:15 of the third period to lead host Toronto over Calgary.

Shawn McEachern and Magnus Arvedson scored for Ottawa early in the first period. Bill Muckalt, Dave Scatchard and Markus Naslund scored for the Canucks.

CALVIN AND HOBBS



COUNTRY/CURRENCY	2 MONTHS NEW SPOT DAYS	2 MONTHS OFFER PRICE	SAVING OFF PRICE	
AUSTRIA	ATS	1500	55	
BELGIUM, LUXEM.	BEF	1,300	50	
DENMARK	DKK	1,200	50	
FINLAND	FIM	625	30	
FRANCE	FF	310	50	
GERMANY	DEM	182	40	
GREAT BRITAIN	HS	22	50	
HONG KONG	HK\$	7	50	
ISRAEL	IL	105	60	
ITALY	L	150,000	60	
JAPAN	¥	20,000	12,150	30
NETHERLANDS	fl.	105	50	
NEW ZEALAND	NZ\$	125	30	
NORWAY	NOK	105	50	
SPAIN	Ptas	167	50	
SWEDEN	S	350	50	
SWITZERLAND	CHF	150	40	

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OBSERVER

Welcome to Your Dotage

By Russell Baker

NEW YORK — We will soon be inundated with nonsense about how wonderful it is to be old. The baby-boom generation, now becoming long in the tooth, thick in the middle and sparse on the scalp, will demand it.

And who has ever been foolish enough to deny this vast army of demanders anything it calls for?

Now that it is becoming an army of old crocks, saying "old crocks" will be politically incorrect and punishable by social exile, just as these new arrivals in the land of Old Crockdom once exiled their elders for being "over 30."

Well, every stage of life has its drawbacks. Childhood, which to a great extent is a prison existence, is ridiculously romanticized by adults who have been there and ought to know better.

Compared with old age, adolescence is pure horror: pimples, sexual panic, fear of unpopularity... a nightmare. Then 20 years of keeping up with the Joneses, impressing the boss, being untrusting by kids because you're over 30. Call that wonderful?

Then on to midlife with its famous crisis, despair, disappointment, suspicion that life has been wasted.

One of the many rewards for making it to the top of Mount Dotage is the fresh angle of vision that comes from standing up there on the top. (Or, more sensibly, sitting on it.)

Crockhood means no longer having to do most of the things you never really wanted to do when you still thought that doing them could make each stage of life wonderful at last.

The product being advertised — what is it? a vitamin pill? — obviously works wonders.

The actors who are having a great time being silver look to be of middle age. I think we are meant to believe that though they may still look young enough to run the Boston Marathon and finish with a fast game of squash, they are actually, like Dorian Gray, far into the Social Security years.

As one who still thinks of baby boomers as "kids," I don't want them marching into the new century under the delusion that old age is wonderful. It's not half as bad as it's cracked up to be, but wonderful it is not.

Well, every stage of life has its drawbacks. Childhood, which to a great extent is a prison existence, is ridiculously romanticized by adults who have been there and ought to know better.

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The silver of the ad slogan is not clearly defined, but I take it to refer to gray hair.

A Tale of 2 Cousins, Covering a Lot of Territory

By David Streitfeld
Washington Post Service

WASHINGTON — Best buddies, fellow novelists, cousins: John Edgar Wideman and Albert French are squeezed into a booth at a bakery, telling tales on each other.

"People know John's books, they know the craft, but I know the pressure he's been under," French says. "There was so much pressure on his back, enough to bend a man, but the art still came out consistently. His hand could still write. It wouldn't give in to the problems."

"Would that it wiped them away," Wideman, one of the pre-eminent American literary writers, says almost to himself.

So we're talking here about the healing power of art, how it helps the artist deal with his troubles?

"No," says Wideman with a look that could freeze milk. "There's no such thing as dealing with problems. There's only existing."

It's like hanging on to the edge of a cliff, he says. That is not heroic if the only alternative is plunging into the abyss.

Wideman's work is widely reviewed and usually well received, but he is better known for his tragedies. A brother, Robby, in prison for murder, the consequence of a stupid robbery. A son, Jake, in prison for inexplicably stabbing to death a fellow camper.

These crimes have proved irresistible to feature writers, who have a chance to set the super-achieving Wideman — one of the first black Rhodes scholars, the only two-time winner of the PEN/Faulkner Award for fiction, recipient of a MacArthur "genius" grant, winner just a few months ago of a \$25,000 award for excellence in the short story — against his killing kin. Tragedy, chance, destiny: The Widemans offer an opportunity to ponder all the big subjects.

But murder isn't the only prism through which to ponder a family; fate has benign sides as well. Forty years ago, when they were both

boys in the Pittsburgh neighborhood of Homewood, no one would have predicted that Wideman and French would be on-stage here recently for a dual appearance in the PEN/Faulkner reading series, successful writers both.

Even now, it is hard to figure. A filmmaker drawing up such dissimilar cousins would be accused of cliché-mongering, going for big contrasts and wide comedy. Look at them: Wideman's hands are folded and he's staring straight ahead, but at nothing. He's 57, but lean enough to appear at least a decade younger. He was a boy wonder: His first novel came when Lyndon Johnson was president.

French, 55, is hunched over in his raincoat, perpetually fiddling with a cigarette when not actually smoking one. Barely awake. He's a late bloomer, his first novel, "Billy," appearing five years ago.

A second novel, "Holly," and an autobiography, "Patches of Fire," have also won a share of acclaim.

Still, it took a bit of nerve for French to set his third novel, a tale of punishment and crime called "I Can't Wait on God," in Homewood. He might have grown up there, but Wideman long ago claimed it as his fictional territory.

"You'd better watch your butt, buddy," Wideman says to his cousin. Then he laughs, a rare event, and says: "No, no, I didn't say that. I'm sure I said, 'It's your neighborhood, too. I don't own it.'"

But it wasn't that simple. "It did unsettle me a little bit," Wideman concedes. "My son Dan uses our family in stories and articles. As a writer, your ultimate worry is that something might be taken away."

One reason you write is to establish authority. When it becomes a chorus of voices, it might or it could impinge on that authority. That passed through my mind. I won't pretend it didn't," Wideman's new novel, "Two Cities," is a story of redemptive love set in Pittsburgh and Philadelphia. He drew on French for one of the main characters, an old man named Mal-



John Edgar Wideman, right, and Albert French.

lory who is a photographer, just as French once was. Not that French himself would know. He hasn't read "Two Cities."

"I don't have to read John's books because I know most of the stories," he says. But there's a bigger reason: "I don't like to read. Now that I'm a writer myself, I have a good excuse: If I read a strong writer, I get their influence in my head."

This, too, is the sort of thing that bugs novelists, who, fairly or unfairly, often expect everyone in their world to have memorized

their work. But Wideman is cool about this as well.

"Here's my formula," French says. "This will make you smile. I have a typewriter sitting here, and I reach under the desk, pull up a page, type 'Page 1,' and fill up the empty space. I can concentrate on that because I understand that. When the page is full, I reach underneath for another sheet, and do it again."

He doesn't rewrite much, either. Jokes Wideman: "When he said he doesn't read, he meant he doesn't read himself either."

"I'm frightened, in a way,"

French says. "Three of my books are optioned to the movies, two are in translation in France, Germany and somewhere else, but I'm still frightened. I wish I were like my cousin and could understand this. He's like a surgeon with words. He not only writes fiction, he studies it. But once I write a book, I don't want to hear any more about it. And I never know if I can do it again."

Wideman says: "What we share is anxiety, fear and a sense of being on the edge. Sometimes I think I could stop writing tomorrow. It's like suicide — if I choose not to live, I could do it. With both, I need a door out. That makes it more bearable, a conscious choice."

While it is easy to imagine a film of French's first novel, "Billy," about a black boy who accidentally kills a white girl in the South of the 1930s, Wideman's books are problematic. Much of "Two Cities" is told in internal monologues, using dialect and inflection to reveal character and plot. Here's Malory, the photographer, falling in love:

"Don't mean to stare but I can't get over how much you remind me of her. A woman I was married to once. Something about you brings her back. Still married in a way, I suppose. Haven't laid eyes on her for ages, but we never got married to my knowledge so she's still my wife by law, isn't she? You don't look like her exactly. You're like a snapshot of her, young, a picture I never saw before, and it might not even be her, but it takes me back, right back, and I remember how her face made me feel."

The voices in the novel overlap, circle around one another, intersect in odd and pleasing ways. Wideman says of French: "Sometimes I think I'm going a long way around to get to a point that he never left."

His cousin agrees with that, but reworks it into his own metaphor. "The two of us here is almost mystical. He was going up one side of the mountain, a mountain I had no idea about. But I was coming off the other side."

PEOPLE



MEDALS — President Jacques Chirac with the mime Marcel Marceau after presenting him the Order of Merit in Paris on Tuesday. The French leader also gave the Legion of Honor to the singer Sylvie Vartan.

THE British pop star George Michael says he would gladly work more hours for an AIDS charity rather than spend his court-ordered community service on the telephone. Michael was sentenced to 80 hours of community service after pleading no contest to committing a lewd act in a restroom at a Beverly Hills, California, park and was scheduled to begin the service on Monday at Project Angel Food, which delivers 1,000 meals a day to people with AIDS. But on Friday, a Municipal Court judge ordered the singer to fulfill the obligation by phoning schools and children's centers to encourage kids to do charity work. Michael said that he would work "as many hours as [the judge] sees fit" if he is allowed to complete his community service at Project Angel Food, a charity to which he has donated for years.

Dennis Rodman wants out of his marriage to Carmen Electra. The basketball star known as "the Worm" has filed papers seeking an annulment of his marriage to the "Baywatch" actress.

citing "fraud" and "unsound mind." His lawyer, echoing earlier charges by Rodman's agent, says the Chicago Bulls star was intoxicated when the pair wed in a Las Vegas ceremony Nov. 14.

The artistic director of the Vienna Boys' Choir, Agnes Grossmann, has resigned after disagreements about the workload of the young performers, the choir said. In a statement to the Austrian news agency APA, the choir said she was quitting because of "irreconcilable differences" with its board over her desire to reduce the number of performances by the singers, ages 10 to 13.

David Milch, executive producer of "NYPD Blue," drew on his own health crisis in fashioning a story line for

Jimmy Smits' exit from the series on Tuesday night. Smits' character, Bobby Simone, suffers heart trouble and needs a transplant. "Simone's experience in the catcher's lab, taking the angiogram, that was kind of a lived experience," said Milch, who has had several angioplasties to deal with heart blockages. Smits is leaving the police drama to pursue film and other work. He is being replaced by the former child actor Ricky Schroder.

The rocker Marilyn Manson went on a rampage, trashing his dressing room and destroying the band's hotel rooms in Poughkeepsie, in upstate New York, the New York Post reported. Manson and members of his band set fire to a T-shirt and carpeting and smashed lighting equipment in their dressing room before their show, the Post reported. After the show, they destroyed four rooms in the Poughkeepsie Sheraton, burning carpets and staining sinks with hair dye, said Donna McLean, the hotel general manager. She said Manson offered to pay for all of the damage.

Director and Composer Win Erasmus Prize

New York Times Service

NEW YORK — The Dutch like the way Peter Sellars thinks. The revisionist director, who has transported Mozart's "Nozze di Figaro" to Trump Tower in New York in the 1990s and Handel's "Julius Caesar" to the present-day Middle East, is the recipient of this year's Erasmus Prize, presented by Prince Bernhard of the Netherlands.

Established in 1958, the prize is awarded for contributions to European culture. Sellars and this year's other recipient, the German composer Mauricio Kagel, are "pioneering and original free thinkers," said a spokesperson for the Præmium Erasmianum Foundation, which sponsors the awards. Past winners include Marc Chagall, Charlie Chaplin and Ingmar Bergman.



(kick off your shoes)

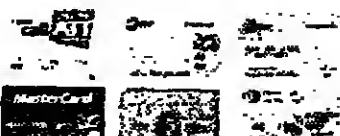
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